A3075-40
A

1980 Financial Analysis of the Motor Carrier Industry

BEST AVAILABLE COPY

1980
Financial Analysis of the Motor Carrier Industry

The First National Bank of Boston
James F. Notman, Jr.

Table of Contents

Message from ATA 2
Message from ATA Foundation 2
Message from Union Oil Company of California 3
About the Author/Acknowledgements 4

General State of the Industry: A Review of 1979 5
Distribution of Revenue (by carrier type) 6
Seasonally Adjusted Truck Tonnage Index 7
The Economy and the Trucking Industry in 1980 and 1981 9
Other Issues Facing the Trucking Industry 11

The Scope of this Analysis 12
The Structure of the Motor Carrier Industry 12
Organization Chart 13
Map of USA (by ICC regions) 13

Terminology 14

Composite Carrier Groups: A, B, C 18
Financial Data 20

Carrier Group: A 19
Financial Data Carrier Group: A 22
Carrier Group: B 24
Financial Data Carrier Group: B 26

Combined Carrier Group: C 25
Financial Data 28

Combined Carrier Group: D 31
Household Goods 31
Heavy Machinery 31
Petroleum Products 34
Refrigerated Products 34
Agricultural Products 34
Motor Vehicles 35
Building Materials 35
Other Special Commodities 35
Financial Data 32

Carrier Group: E 36
List of Publicly Held Carriers 37
Financial Data 38

Security Analyst Supplement 39
About the Author 47

Donald Tender

Message from ATA

Accurate, well organized financial information on the trucking industry is vital to those who are in the industry and especially useful for the understanding of persons outside the motor carrier business.

The annual Financial Analysis of the Motor Carrier Industry has become a valuable contribution to the financial community by broadening its information and depth of understanding of the industry. This has enabled trucking executives to enlarge their access to credit facilities which is necessary for business growth and investment.

Nothing is more helpful to an industry than accurate financial statistics coupled with careful analysis as a basis for forecasting and business planning. This is especially true of the trucking industry which for many years now has itself been an accurate barometer of business trends.

As the trucking industry has grown into a major factor in the economy of the United States, it has become key to all production and distribution and, therefore, the industry itself has increasingly needed better economic information to use in its relationships with the banking and financial community.

Our purpose in publishing the Financial Analysis has always been a desire to stimulate interest by the financial community in the motor carrier industry. That interest has grown to a very gratifying degree.

The report also serves those interested in transportation and in the economy, in general. The economic situation of the motor carrier industry is a true reflection of the overall economic picture.

As in the past, the report reviewed the financial results of Class I and II motor carriers of general commodities and special commodity carriers with annual revenues over one million dollars for the previous calendar year, in this case 1979.

We are deeply grateful to The First National Bank of Boston, for which this represents an unprecedented seventh analysis. The author, James F. Notman, Jr., Vice President, brings a competence and expertise to this analysis for which we are most grateful.

A review by a security analyst specialized in the industry supplements the Banker s Analysis. This review reflects on the performance of the industry's publicly held companies in 1979 and early 1980 with observations on future performance. We wish to thank William M. Legg, Vice President and the Senior Transportation Analyst with Alex. Brown & Sons, Baltimore, Maryland who prepared this supplement.

We appreciate the role of the Union 76 Division of the Union Oil Company of California in publishing the analysis as its ATA Foundation project.

Donald Tender
Managing Director and Controller
Finance Division
American Trucking Associations, Inc.

Walter F. Carey

Message from ATA Foundation

The trucking industry is grateful to the Union 76 Division, Union Oil Company of California, for sponsoring the printing and distribution of the 1980 "Financial Analysis of the Motor Carrier Industry" as its ATA Foundation project.

With the passage of the Motor Carrier Act of 1980, there will be change in the trucking industry and in the entire realm of physical distribution.

It is necessary that these changes are carefully monitored to determine if they are solidly in the public interest.

This means that all manner of gathering and evaluating information will become more and more important to the trucking industry and to the customers it serves.

Congress has wisely mandated that there be oversight provisions in the new legislation and will scrutinize diligently the implementation of this new legislation and its effect on national transportation policy.

Shippers, too, are keenly interested in information from all sources that enables them to better analyze their transportation needs and costs.

Publication of data, such as that contained between the covers of this book, provides needed information for use now and in planning the future.

Analysis of the trucking industry by

specialists in the fields of banking and securities is most important to help document the changes we are seeing in the trucking industry today, as well as tomorrow.

The impact of the Motor Carrier Act on the trucking industry is not easily measured, especially in light of the economic recession. Certainly, the industry is aware of economic changes and seeks to identify their causes.

However, as reports such as the Financial Analysis of the Motor Carrier Industry continue to be produced, it will be possible to chart specific effects of changes in trucking regulation.

Trucking industry management is responding to the high costs of fuel by using all available techniques, including re-training drivers and insisting on the 55 MPH speed limit to conserve fuel—and with notable success.

In addition, motor carriers are tailoring their operations to the current economic situation as never before in ways to reduce costs, provide service and maintain profitability.

This report, therefore, becomes an important management tool for use by those within and outside the trucking industry. The Union 76 Division deserves our thanks for sponsoring this publication.

Walter F. Carey
Chairman
ATA Foundation

Chairman, Finance Committee
T.I.M.E.-D.C.

Past Chairman
American Trucking Associations, Inc.

Past President
Chamber of Commerce
of the United States

William S. McConnor

Message from Union Oil Company of California

Dependence on imported oil has left America vulnerable to the economic and political whims of foreign countries. But that condition need not be permanent, for I believe this country's energy problem is solvable.

Unlike other major industrialized nations, the United States is fortunate to have vast energy resources as yet untapped—oil and gas, coal, and uranium. Because of these abundant natural resources, Americans can choose to achieve a high degree of energy self-sufficiency in a relatively short time.

We can regain our energy independence, our economic stability, and our nation's standing in the world. All this can be accomplished with some modest changes in policy direction.

First, we need consistency in government policies toward energy producers and energy users. Costly and non-productive changes—as in the federal government's encouragement of utilities to switch from coal to natural gas, then to oil and now back to coal and natural gas—only compound the problem.

Second, a better balance between energy and environmental goals must be established. Flexibility to maximize domestic energy exploration and production can be tempered effectively with environmental concerns. Safe and successful energy production in such fragile areas as the Gulf of Mexico and Alaska has shown that achieving energy security and preserving our national heritage are compatible goals.

Third, we need greater reliance on the market system. Messages on voluntary conservation had little effect on reducing energy consumption until the sharp price increases of last year. Americans are learning to save energy because they want to save money. Other alternatives to market forces tried by the government have failed. Price controls led to a decline in U.S. oil and gas production, and we are all well aware of the federal allocation system's negative impact on last year's import shortfall.

Fourth, orderly access to public lands for exploration, development and production is vital. These areas offer the most promising prospects for new supplies of U.S. energy. Yet today only about one-third of all onshore public lands and less than five percent of the Outer Continental Shelf have been opened for energy development. The major laws regulating energy production on federal lands unnecessarily—and often unintentionally—work to restrict development.

Fifth, we must include coal and nuclear power as essential components of our energy mix. Development of our abundant coal reserves has been stymied by changing and inconsistent laws and regulations. Nuclear power's contribution can triple in this decade if the 110 power plants now under construction or on order are completed. This can be achieved within the framework of new safeguards developed after Three Mile Island.

Sixth, we must direct our technological expertise toward alternative energy forms. Synthetic fuels from oil shale and coal, renewable sources such as solar and geothermal energy, and other non-traditional forms must be developed to reduce our reliance on imports.

The final point deals with energy conservation, or energy efficiency as we

prefer to term it. It offers each individual American an opportunity to control, in part, the energy problem and is an important element of the total program.

In regard to conservation, I'd like to commend the trucking industry's efforts. Since the 1973 embargo, those activities have saved nearly five billion gallons of fuel, 1.7 billion gallons of that savings coming last year alone. The industry can proudly point out that its voluntary programs have produced twice the energy savings of government-mandated fuel economy standards.

As I have outlined, changes in government laws and regulations, combined with effective conservation programs such as yours, can help America regain energy independence in the 1980's. The choice between energy security and the continued threat of energy-related upheaval rests with all Americans.

William S. McConnor
Senior Vice President
Union Oil Company of California
and President, Union 76 Division

James F. Notman, Jr.

The Author

This 1980 Financial Analysis is authored by James F. Notman, Jr., Vice President of the Energy and Transportation Division of The First National Bank of Boston, a bank long noted for its involvement with the motor carrier industry. A commercial banker, Mr. Notman joined the bank in the summer of 1974, and has been involved with the bank's motor carrier financing activities for the past five years.

Upon graduation from Harvard College in 1967, Mr. Notman served as an officer for two years with the U.S. Army Transportation Corps. Mr. Notman joined the bank after completing the Harvard Business School MBA program in 1974. He is an active member of the National Accounting and Finance Council of the American Trucking Associations, Inc. and serves on its Financial Relations Committee.

This is the seventh Financial Analysis that The First National Bank of Boston has been privileged to author in the 30-year history of the publication. The First National Bank of Boston is pleased to present this analysis and welcomes your comments and inquiries.

Acknowledgements

The author thanks Don Tender, Ron Roth, Mary DeLaney and the staff of the American Trucking Associations for their guidance and assistance in the preparation of this Financial Analysis.

The author is grateful to the Economics Department of The First National Bank of Boston for technical assistance. In addition, the author wishes to express his gratitude to Laurence A. Pierce and David W. Kruger for their continued counsel and assistance. The author is grateful to William Legg of Alex. Brown and Co. who, with his Security Analyst Appraisal, has made a major contribution to this year's report.

Finally, the author owes a debt of gratitude to the previous Financial Analysis authors whose names appear at the right, and whose past efforts provided much of the framework for this 1980 Financial Analysis of the Motor Carrier Industry.

Past Authors

1979 John F. Macon II
United California Bank

1978 G. Barry Kohler
Bank of America, N.T. & S.A.

1977 R. Stephen Hannahs
Joseph Tune
The First National Bank of Chicago

1976 Emery White
The Chase Manhattan Bank, N.A.

1975 David W. Kruger
The First National Bank of Boston

1974 Peter D. Horne
Continental Illinois National Bank
and Trust Company of Chicago

1973 Michael A. Gaffigan
Harry L. Hatton
Central National Bank in Chicago

1972 Henry H. Livingston
Clark, Dodge & Co.

1971 Robert S. Williams
First National Bank in Dallas

1970 Peter S. Douglas
The Chase Manhattan Bank

1969 Marvin D. Juliar
First National Bank of Chicago

1968 Edward A. Eyre
United California Bank

1967 Laurence A. Pierce
The First National Bank of Boston

1966 Arthur J. Bruen, Jr.
Continental Illinois National Bank
and Trust Company of Chicago

1965 George H. Boggs
Citizens & Southern National Bank

1964 Harvey R. Mitchell, Jr.
Republic National Bank of Dallas

1963 Albert W. Ambs
First National City Bank

1962 John W. Jalonen
Bank of America, N.T.&S.A.

1961 Kenneth W. Anderson
United California Bank

1960 Frank C. Rathje, Jr.
Continental Illinois National Bank
and Trust Company of Chicago

1959 John F. Blomquist
Central National Bank in Chicago

1955-58 Henry Bowen
The First National Bank of Boston

1951-52 Archie K. Davis
Wachovia Bank and Trust Company
for Robert Morris Associates

General State of the Industry: A Review of 1979

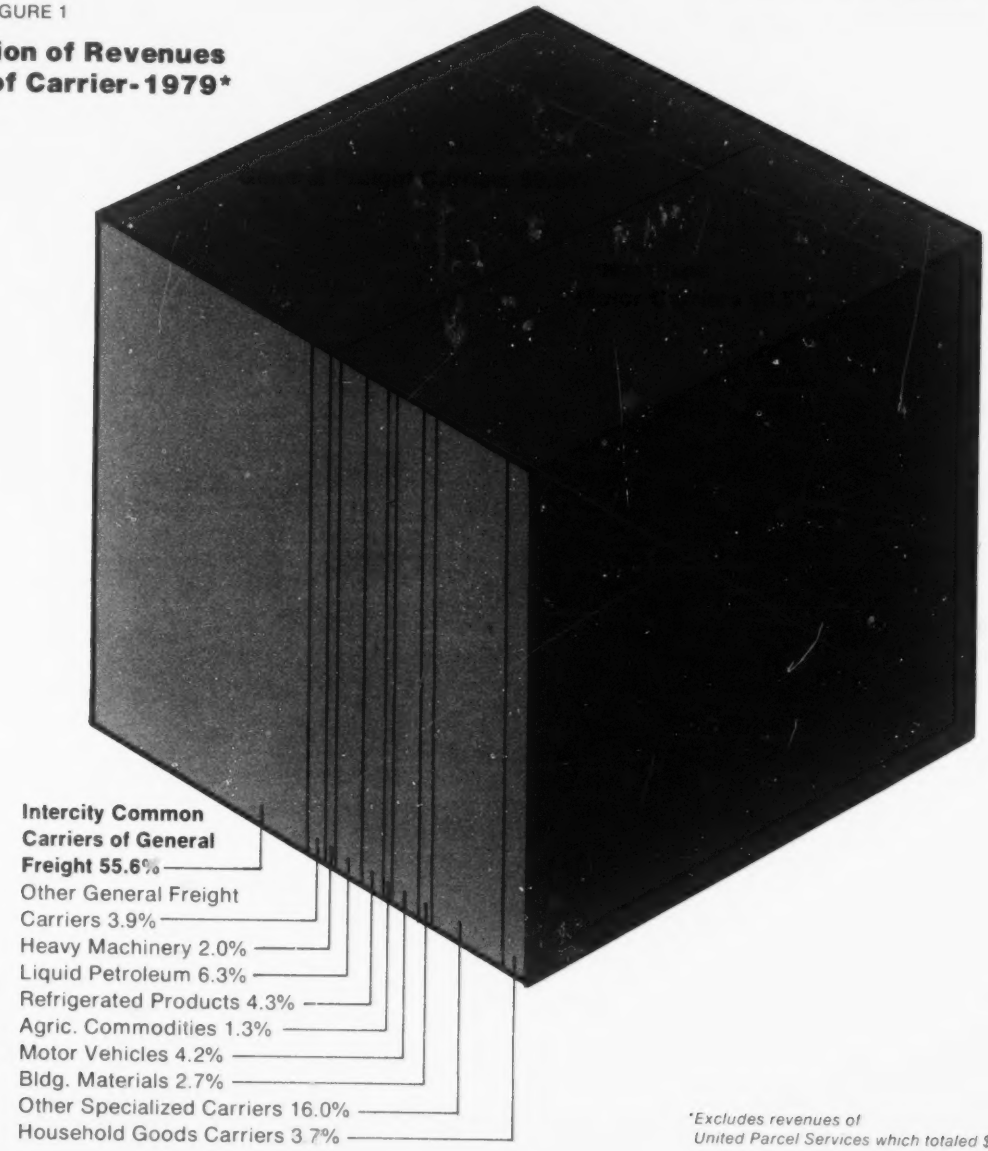
Although the economy was reasonably strong during the first half of 1979, in spite of predictions of an impending recession, the year as a whole was difficult overall for the trucking industry. During the second half, the long expected business slowdown began. As a result, 1979 marked the end of a five-year period of business expansion. For the motor carrier industry, the 10-day Teamsters' strike in April, a decline in tonnage in the second half of the year, and continued cost increases all contributed to sharply lower industry profits.

During the year 1979, real GNP increased 2.3%, industrial production rose 4.2%, and new plant and equipment expenditures rose 15.1%, compared with 4.4%, 5.7% and 13.3% respectively in 1978. Inflation and interest rates climbed to record levels, with the CPI increasing 13% versus 8% in 1978. Severe inflation forced up labor, fuel, and equipment costs to unanticipated new high levels, aggravating the industry's cost/rate squeeze. The prime rate climbed from 11.75% to a record level of 15.25% at year end. For the motor carrier industry in 1979 revenues increased to $41.2 billion, with particular Class I and II carriers, the focus group of this year's Financial Analysis, accounting for 81% of total revenue.

These varied levels of economic activity serve as a useful backdrop for reviewing the industry's 1979 operating results. A

FIGURE 1

Distribution of Revenues by Type of Carrier-1979*



*Excludes revenues of United Parcel Services which totaled $3.3 billion.

BEST AVAILABLE COPY

FIGURE 2

Class I and II Intercity Carriers of General Freight Seasonally Adjusted Monthly Truck Tonnage Index

Final Seasonally Adjusted Series

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1957	69.9	69.8	69.3	68.2	66.5	66.6	67.2	67.7	68.0	65.4	65.8	62.5
1958	61.9	60.7	60.2	59.5	60.4	62.6	62.5	61.0	64.3	66.8	69.1	70.2
1959	69.8	71.6	73.0	74.3	75.5	74.0	74.3	70.9	72.2	71.1	71.9	77.3
1960	76.2	75.7	73.8	73.4	72.6	72.1	70.9	70.6	73.0	70.8	68.7	67.7
1961	68.2	67.5	68.5	69.9	71.1	72.8	72.5	75.2	75.6	77.3	78.1	78.4
1962	78.8	78.2	78.7	78.4	78.4	79.0	81.7	80.9	82.3	82.3	83.7	81.7
1963	81.8	83.2	83.4	83.9	84.3	84.6	84.7	85.8	85.7	86.2	83.6	85.8
1964	86.2	87.1	85.6	88.5	89.5	88.2	89.7	90.1	91.5	90.9	92.7	97.4
1965	93.2	94.4	98.3	97.9	97.6	97.0	97.4	97.0	97.9	99.4	101.4	102.8
1966	103.3	103.2	104.2	105.4	105.7	107.5	105.7	107.4	107.0	107.0	105.6	104.9
1967	102.9	103.0	101.4	92.7	98.3	99.8	97.8	101.4	99.3	99.5	102.9	104.0
1968	104.8	105.1	104.7	106.9	108.1	106.5	109.8	107.3	107.6	109.5	109.2	107.8
1969	109.8	111.6	113.1	113.7	114.2	113.7	113.9	113.8	116.3	116.5	114.6	113.1
1970	114.6	118.2	116.8	83.3	101.6	108.2	115.8	117.2	115.7	113.3	109.8	118.2
1971	117.1	121.1	122.7	125.1	129.3	127.9	129.8	127.8	123.6	120.7	124.6	124.5
1972	127.5	126.8	128.6	133.3	133.1	133.3	131.3	136.5	138.6	143.8	148.7	154.0
1973	154.6	158.2	162.6	162.7	163.8	162.9	162.1	162.3	162.9	166.8	172.0	169.4
1974	170.6	166.2	164.9	160.0	159.3	159.1	155.8	151.4	151.3	150.7	143.1	134.7
1975	131.3	128.3	121.1	127.2	124.3	129.0	131.0	135.4	136.2	138.8	136.2	142.6
1976	145.1	147.7	149.7	148.0	152.8	152.2	155.2	155.3	156.4	154.0	156.4	156.5
1977	160.9	162.7	162.7	166.6	163.7	166.0	167.1	168.3	167.9	167.5	167.1	171.6
1978	164.9	173.7	176.7	192.6	180.4	179.1	176.7	181.6	183.5	189.2	189.0	192.8
1979	193.7	198.1	203.7	145.8	184.7	185.8	183.6	174.3	175.5	173.3	172.9	172.6
1980	163.5	155.5	159.7	150.7	139.3	140.1	133.6	137.2				

strong Christmas retail season in 1978 and balanced inventory positions provided for a stronger-than-expected post-Christmas rebound, as consumer demand continued to expand the economy. In addition, anticipation of an industry work stoppage contributed to an increase in tonnage at the end of the first quarter. Despite the typical seasonal weather problems in the Midwest and East, revenue, tonnage and net income were up 20.4%, 8.9% and 43.4% respectively over the prior year's first quarter. Real GNP growth was 0.3% at an annual rate over the prior quarter.

The second quarter saw a decline in tonnage. A 0.6% decline in GNP and the April Teamsters' strike reduced tonnage almost 3% and net income 53% over the previous year's second quarter. While the strike's impact makes any meaningful comparisons impossible, the industry's actual results reflect its high degree of profit sensitivity to changes in volume. In general, the first half of 1979 was a continuation of the expansion of the economy, led largely by retail sales of consumer goods. Trucking industry tonnage and activity paralleled the Industrial Production Index and the wholesale and retail sales inventory levels required to meet the continued expanding demand for consumer products.

In the second half of the year, motor carrier volume began to decline, due to the beginning of the recession. Tonnage declined 0.6% in the third quarter of 1979 over the prior year, even though industrial production increased 3.1%. But significantly, continued high rates of inflation and interest rates were beginning to limit the consumer's ability to sustain the housing and auto industries. Domestic car sales, off sharply during the gas shortages in the second quarter of 1979, rebounded somewhat during the summer months, but by year end, auto sales volume including imports was down to an annual rate of 10.7 million units in comparison with a rate of 11.3 million units at year end 1978. After a flat year in 1978, residential construction dropped 7% in 1979, as mortgage rates increased sharply and financing became unavailable or unaffordable. From a fourth quarter 1978 rate of 2.1 million units per year, private housing starts averaged 1.8 million in the first three quarters of 1979, and then fell to 1.6 million units in the fourth quarter after the Federal Reserve credit restraints were imposed.

The Industrial Production Index turned negative in the fourth quarter and trucking industry tonnage was off about 5%

FIGURE 3

Results of Operations—1979 vs. 1978 of Class I and II Federally Regulated Motor Carriers of Property*

(Percent changes in Operating Revenues and Other Financial & Operating Statistics)		Operating Revenues	Total Operating Expenses	Interest Expense	Income Taxes	Net Income	Total Vehicle Miles	Total Tons of Revenue Freight
U.S. Total	% change	14.0	16.2	43.9	(34.1)	(26.9)	2.6	(0.9)
General Freight Total	% change	13.2	16.1	43.9	(45.5)	(35.5)	2.9	(0.5)
Carriers of Specialized Commodities (Except Household Goods)—Total	% change	15.0	16.0	42.7	(10.0)	(12.4)	2.2	(1.1)
Heavy Machinery	% change	21.8	22.8	26.6	10.9	6.0	4.6	4.1
Liquid Petroleum	% change	17.5	17.3	42.2	24.0	11.9	3.2	(4.9)
Refrigerated Products	% change	13.4	13.6	47.7	13.2	(1.8)	0.2	0.9
Agricultural Commodities	% change	23.7	24.2	48.3	36.5	(11.0)	5.6	10.5
Motor Vehicles	% change	3.4	7.9	51.3	N.A.[1]	N.A.[2]	(9.3)	(7.1)
Building Materials	% change	18.3	19.1	49.5	(4.9)	0.8	3.8	3.5
Other Specialized Carriers	% change	15.9	16.8	38.6	(7.5)	(0.9)	4.2	1.1
Household Goods Carriers	% change	18.9	18.5	62.9	95.3	13.6	4.5	8.0

Source: Financial and Operating Statistics Full Year 1979-78, Based on Quarterly reports (Form QFR) to the ICC

Note: Parenthesis indicate decreases *Excludes results of United Parcel Services N.A. Not Applicable
[1]Income tax credit in 1979 compared to tax payment in 1978
[2]Net loss in 1979 compared to net gain in 1978

(with truckload tonnage down by 20%). The Federal Reserve raised the discount rate to 12%, short-term interest rates reached record levels by year end and the recession was clearly taking hold.

During 1979, rapidly increasing costs put heavy pressure on the industry's margins, and drove up rates. Freight rates increased by more than 5% compounded for the year, comprised of a 5.5% April wage increase, 2.2% general increase in June (non-labor), a 2.2% cost-of-living labor adjustment in October, and another general increase of 2.1-3.8% in December. Opportunities for the industry to offset these higher costs through productivity increases are limited, and these costs must be recovered in freight rates.

In addition, fuel costs increased 41% in 1979, and it was not until June that the ICC developed a mechanism to permit fuel surcharges to be added to the rate structure. The fuel surcharge which can be changed weekly was initially 2.7% and later 2.3% for less than truckload and 6.7% moving up gradually to 13% for truckload. The truckload fuel surcharge is considered largely responsible for shifting significant truckload tonnage from the common carrier to less expensive transportation such as contract carriers, private fleets, and railroad piggyback service.

Given this economic background in 1979, Figure I portrays the distribution of revenues by carrier group for all Class I and II carriers. General freight carriers represented 59.5% of total revenues with specialized carriers accounting for 40.5%. Intercity tonnage for Class I and II carriers was down less than 1% in 1979 over 1978 but as Figure II indicates there was a significant decline beginning in August and continuing through year end.

For all Class I and II carriers revenues rose 14.0% in 1979 which is entirely the result of higher rates permitted by the ICC to cover increased labor, fuel, and general cost increases. In spite of considerable rate relief, the industry operating ratio deteriorated from 94.6% in 1978 to 96.3% in 1979, as operating expenses increased by 16.2%. With greater debt at higher rates, interest expense rose 44% over 1978. Class I and II carriers suffered a 27% decline in net income in 1979 which was only 2% of revenue, down from net income of 3% of revenue in 1978. Figure 3 shows the year-to-year percent changes in the operating results for Class I and II carriers.

The Economy and The Trucking Industry in 1980 and 1981

In the first quarter 1980 GNP grew by 1% but the downturn in truck tonnage that began in the summer of 1979 as a result of declining auto and housing markets, continued. For some larger publicly held companies, LTL tonnage was off between 5-10%, but TL tonnage was off 20% or more as the regular common carriers continued to lose truckload shipments to private carriage or independent owner-operators as a result of the ICC fuel surcharge and easier entry policy.

When the prime commercial lending rate peaked at 20%, consumer credit was sharply curtailed and the recession began to deepen. On an annualized basis, residential housing starts dropped below 1.0 million units and domestic automobile sales dropped below 6.5 million units by the end of the second quarter. Truck tonnage declined even further, with truckload shipments down 25-30% by June and less-than-truckload down 10% or more for some larger general freight carriers. This can be compared to the decline seen in the second quarter 1975 recession when truckload tonnage was off 23.3% and less-than-truckload tonnage dropped 16.7% over the prior year's second quarter.

While the trucking industry's volume of traffic was deteriorating, the industry had to absorb a 15% increase in labor costs including COLA adjustments beginning April 1, 1980. In addition, for those carriers which use prime sensitive, floating rate revolving credits to finance their revenue equipment, interest expenses rose dramatically. While ICC aggregate industry data for the first half of the year was not available when this Analysis was written, numerous carriers suffered significant operating and net losses during this period.

During the seasonal July-August slowdown, truck tonnage was down more than usual due to extended plant shutdowns in response to the recession. In late August, total tonnage continued at levels significantly under the prior year. Some carriers reported upticks in volume and activity after Labor Day, but these modest tonnage increases may only reflect the trucking industry's seasonality during this part of the year.

Although interest rates declined sharply over the summer months, due to continuing inflation, the consumer experienced only weak growth in personal income. Several months of declining retail sales reflect the lack of consumer confidence and capacity to reverse the recession or to lead an early and robust recovery.

The domestic automobile industry has experienced substantial deterioration. Sales of domestic automobiles were off 22% for the first half of 1980, and late summer sales have fallen further below 1979 levels.

The housing sector declined to its lowest level in five years with residential starts at under 1 million annual units in June 1980. The rapid drop in mortgage rates stimulated a significant rebound in activity with starts at just under 1.4 million annual units in August. The mortgage rates bottomed and began rising again in late summer which could stall this apparent recovery in the housing sector.

Unemployment, at 7.8% in May, had increased by 1.6% in just two months, which is the steepest increase since January, 1975. Noticeable levels of unemployment are expected to grow throughout industry, particularly automobiles, steel, and tires.

These trends strongly suggest that the economy is now experiencing the long-awaited recession. While GNP rose at just over 1% in the first quarter, the 9.1% decline in GNP in the second quarter and the projected lesser decline in the third quarter confirm the expectation. Two-thirds of GNP is accounted for by the household (consumer) sector of the economy. Given this relationship, the recovery of the economy will depend largely on the consumer's ability to seek and sustain employment, and achieve real growth in income in order to purchase more goods and services in the economy.

The 1980 recession is anticipated to last three quarters; the deepest decline in GNP should occur in the second and third quarters. The economy should recover in the spring of 1981 with noteworthy real growth expected in the second quarter.

Unemployment will increase through the remainder of 1980 and into mid-1981 and peak in the range of 9%. However, it could remain in excess of 8.5% for a year following the beginning of the recovery.

For 1980, domestic auto sales are projected at under 7.0 million units, 19% below 1979. Import sales for 1980 are projected at 2.4 million units, up from 2 3 million in 1979. For 1981, domestic auto sales are estimated to be in the range of 7.2 million units, with import sales estimated at 2.3 million units.

There is now and will continue to be strong demand for housing. Vacancy rates for apartments are expected to remain low. Mortgage financing for residential construction will become relatively more expensive and more difficult to arrange, as financial markets and interest rates become increasingly volatile. Housing starts for 1980 are projected at 1.2 million units and estimated to be 1.5 million units in 19[illegible]

Capital spending, usually about 10% of GNP, will remain weak for the balance of 1980 and into 1981. Traditionally, industry's real fixed investment declines during

a recession. Business' capital spending plans are estimated to increase about 9% for 1980 and about 10% for 1981, before adjusting for inflation.

After a peak inflation rate of 17% during the first quarter 1980, the Consumer Price Index has dropped to 14% as mortgage rates have declined during the summer months. The recession should have some dampening effect on prices. The rate of inflation will be in the 10% range initially during the 1981 recovery.

It is expected that labor compensation increases will exceed productivity growth as labor groups try to make up for inflation losses with higher wages and benefits. For the trucking industry recent discussions between management and labor have explored the possibility of permitting greater labor flexibility and productivity on a local contract basis, but labor leaders appear unwilling to permit this issue to be addressed in the National Master Freight Agreement.

From a fiscal policy point of view, the tax cut for 1981 is expected to be about $30 billion; this amount will not be enough to make up for the income lost from inflation, the base increases in the Social Security payroll tax scheduled in January 1981, and the tax bracket creep which produces $20-25 billion in increased tax revenues for each year the inflation rate exceeds 10%. The 1981 budget deficit is projected in the order of $50 billion.

For its part, the Federal Reserve will continue to manage the monetary supply and reserves instead of interest rates. The volatility of interest rates since the fall of 1979 to date reflects this change in policy. Unlike the post-recessionary periods following 1969-70 and 1973-75 when the Federal Reserve permitted short term rates to fall for twelve months to help stimulate a recovery, the Fed will now follow anti-inflationary policies by allowing market forces to determine rates. This policy implies that declines in short term interest rates will be limited. By year end 1980, prime interest rates may be in the 14% range. The size of budget deficits may increase, requiring further Treasury borrowings which could push rates even higher.

In summary, inflation and the use of monetary policy to fight inflation will make the 1981-82 recovery different from the two previous recoveries. Whereas real GNP has grown by 12.6% in each of the past 6 post-war recovery periods, it is expected to grow much slower in the 1981-82 recovery.

The trucking industry typically leads the economy and increased tonnage should occur in the fourth quarter of 1980. The early autumn indication of modest increases in truck tonnage reflect the beginning of the recovery. The fourth quarter of 1980 should show further improvement, but overall tonnage for 1980 will be off about 15% and the industry will have another poor earnings year.

In 1981, GNP is expected to grow at 4-5% and truck tonnage at 6-8%. The performance of the trucking industry and the economy which it serves will depend largely on the ability of the economy to maintain a slower, less inflationary, and less volatile rate of growth in the coming recovery.

Other Issues Facing The Trucking Industry

With the signing of the Motor Carrier Act in July, 1980, a new regulatory framework has come into being. The principal changes which have occurred concern the relaxation of barriers to entry with reference to operating authority and the zone of rate flexibility for individual carriers. A final decision on the future of collective ratemaking awaits the report, due in 1984, of a special study commission.

As a result of greater freedom of entry under previous I.C.C. policy and the truckload fuel surcharges beginning in June of 1979, the regular common carriers have been losing significant truckload tonnage to private carriage, contract carriers, and independent operators over the past several years. As the shipping public continues to seek lower cost truck transportation service and as the new act becomes effective, the common carriers will act to stem the loss of market share of the truckload end of the business, not only to other truckers, but to piggyback rail service as well.

This may require regulated motor carriers to increase their less than truckload market share in order to achieve sufficient revenue to cover their overhead structures and operating costs. Many large carriers recently made market share type acquisitions in order to gain entry to new markets as well as increase freight density within existing markets.

With the new legislation, motor carrier operating authorities have lost virtually all of their economic value. The industry and the accounting profession are now wrestling with how to treat this economic loss to the motor carriers for balance sheet treatment and tax accounting.

The loss of operating authority value should not have too great an impact on motor carrier-banker relationships. For the most part, the financial community has traditionally viewed operating authorities as intangibles, deducting them from the stated net worth of a motor carrier. Although "rights" had in the past provided lenders with significant economic collateral value, the financial community has been adjusting its lending standards during the past several years of "deregulation" to reflect the devaluation of operating authority.

The trend towards merger and consolidation will continue. Henceforth, companies will not be willing or required to pay premiums to gain access to new markets or expand their coverage within existing markets. If competition for increased LTL market share were to intensify during the next several years, price discounting practices may become more prevalent. Given the industry's aggregate narrow profit margins, prolonged price discounting could jeopardize the marginally capitalized motor carriers.

In addition to the pressures of price discounting and loss of truckload market share, the regular common carriers continue to face compression of freight rates from the ICC. Based on the Ex Parte MC 128 findings, the ICC determined that the motor carrier industry is no more risky than all industry in general and, as such, an "all industry" rate of return of 14-16% should be appropriate. Although this finding is being challenged vehemently by the carriers, the ICC has been applying it to recent rate increase proposals.

The financial community generally felt that even in a highly regulated environment, the operating and financial leverage of the motor carrier industry made it riskier than business generally. Now that "deregulation" has been formally legislated, the industry has become considerably more risky. Should the ICC adhere to its MC 128 posture regarding a modest rate of return, it will be difficult for all but the well managed and well capitalized carriers to establish profitable rates and a level of income adequate to support reinvestment in equipment and facilities without having to use ever-increasing debt.

In summary, with the transition to easier entry and a more competitive pricing and operating environment, the motor carrier industry will face many challenges. This will result in the failure of the poorly managed, less efficient and marginally capitalized carriers and the ultimate consolidation and increased market penetration of the well managed and well financed carriers.

The Scope of this Analysis

This study concentrates upon for-hire carriers of general freight and specialized commodities. For 1979, the study covers 857 Class I and II for-hire common carriers of general freight and 1,329 Class I and II for-hire common and contract carriers of specialized commodities. It is only these carrier groups for which consistent and uniform financial and operating data can be obtained. However, these groups represent $33.4 billion (81%) of the estimated $41.2 billion in gross revenues generated in 1979 by the 17,083 motor carriers authorized and regulated by the ICC. Of the 14,897 companies not covered in this study, about 13,337 are Class III motor carriers which file only abbreviated annual financial reports with the ICC. Other carriers excluded from this analysis are those carriers which for a variety of reasons are excused or exempt from filing with the ICC, and those carriers whose data is inaccurate, incomplete, or inconsistent for either 1979 or the comparative year 1978. Data used in this analysis is compiled from reports filed with the ICC with the exception of Group E which is compiled from shareholder reports of the publicly-owned carriers. The carrier groupings are the same as last year and the number of carriers are identical for 1979 and 1978 to insure compatibility of analysis. (Historical figures are available in prior analyses.) The main reason for grouping carriers is to minimize the data discrepancies or operational differences thus providing a framework for valid comparisons between groups.

Group A: Common carriers of general freight with annual gross revenues between $500,000 and $1 million; subgrouped by ICC region. Effective in 1980 these carriers will be classified as Class III carriers and data for them will no longer be available.

Group B: Common carriers of general freight with annual gross revenues between $1 million and $5 million; subgrouped by ICC region. Effective in 1980 these carriers will be classified as Class II carriers.

Group C: Common carriers of general freight sub-grouped by annual gross revenues, $5 million to $10 million versus those with gross revenues over $10 million. Each of these groupings is divided by average length of haul.

Group D: Common and contract carriers of specialized commodities with annual gross revenues over $1 million, subgrouped by ICC commodity code.

Group E: Publicly-held companies of which the dominant business is as common carriers of general freight. Most of these carriers are included in carrier Group C.

The Structure of the Motor Carrier Industry

The motor carrier industry may be conveniently divided into two major classifications, Private and For-Hire.

Private Carriers consist of the trucking operations of manufacturers, wholesalers, marchants, and other shippers for transporting their own goods by means of equipment which they themselves own or lease. If their principal business is *not* transportation services, they qualify as private carriers. Those firms which meet the criteria which define private carriers are not subject to Interstate Commerce Commission regulation.

For-Hire Carriers transport freight which belongs to others. They may be classified by jurisdiction served such as interstate, intrastate, and local, the last two classes being regulated by local or state authorities, or exempt from regulation. They may also be classified by kind such as Common Carriers, Contract Carriers and Exempt Carriers.

I. Common Carriers by definition offer their services to any shipper to transport his goods between designated points at published rates under authority granted them by the ICC under a certificate of public convenience and necessity. This certificate spells out both the types of commodities which may be carried and the service routes, whether irregular route service between areas on a non-scheduled basis or regular route service over designated roads on a scheduled basis. The ICC must also approve the tariffs established for various classes of freight by the numerous regional rate bureaus. In general, any service which is not specified by the terms of an operating certificate is forbidden.

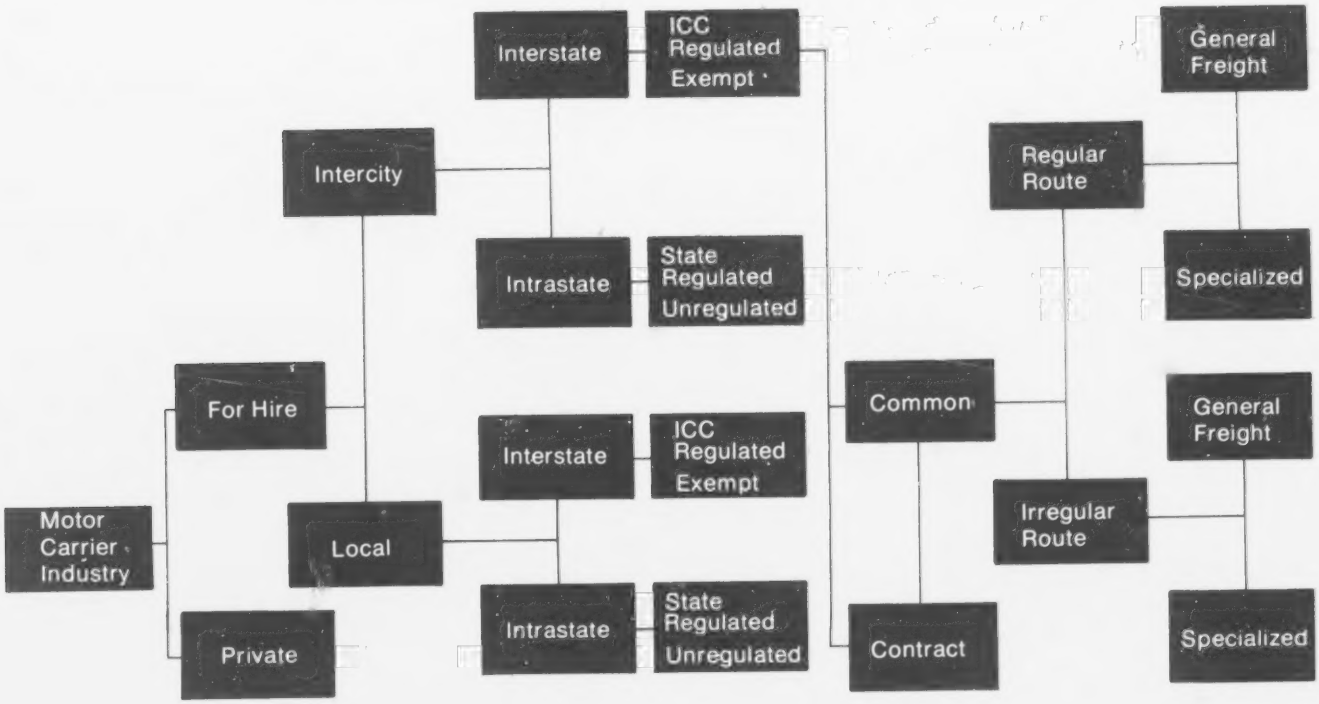
II. Contract Carriers, as the name implies, were restricted through 1979 to serving one or a few shippers under specific contractual arrangements and could not, unlike the Common Carriers, offer their services to the public-at-large.

Owing to the non-public nature of these carriers, the rates which they may charge differ from the tariff structure governing Common Carriers. Operating authorities which specify areas to be served and commodities to be carried must be obtained from the ICC. The Motor Carrier Act of 1980 substantially liberalized the rules for contract carriage.

III. Exempt Carriers transport certain specialized goods, such as unprocessed agricultural products, livestock, and newspapers, and are exempt from ICC regulations about routes, areas and rates.

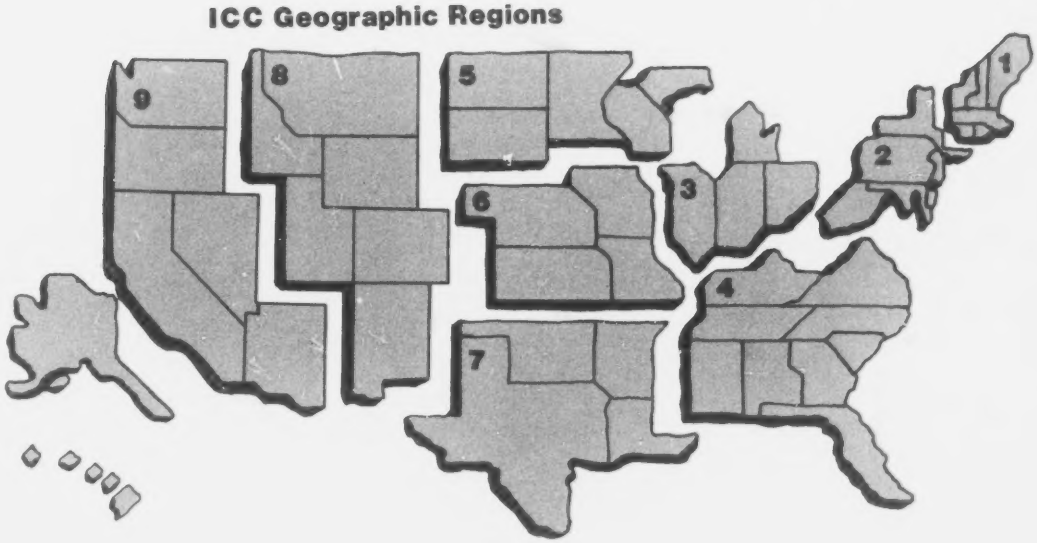
Note: Motor carriers authorized and regulated by the Interstate Commerce Commission are categorized into three classes according to revenue size. Class I are those Common Carriers having annual revenues over $3 million, Class II having revenues between $500,000 to $3 million, and Class III having revenues less than $500,000. Beginning January 1, 1980, the ICC will revise these classifications so that Class I carriers will be those with revenues over $5 million, Class II with revenues from $1 million to $5 million, and Class III with revenues under $1 million.

Legal Structure of the Motor Carrier Industry



ICC Geographic Regions

1 New England
2 Middle Atlantic
3 Central
4 Southern
5 Northwestern
6 Middlewestern
7 Southwestern
8 Rocky Mountain
9 Pacific



TERMINOLOGY

Income Statement Data

Gross Revenues: Total operating revenues derived from freight transportation services.

Depreciation: Non-cash charges to income for use and obsolescence of carrier operating property and other fixed assets.

Purchased Transportation: The costs of revenue equipment rented from others, including affiliates, with or without hired drivers, as well as the costs of transportation purchased from railroads, airlines and water carriers.

Operating Expenses: Expenses which are directly a function of operations, including depreciation and purchased transportation. Non-carrier expenses and interest charges are not included.

Operating Income: Gross revenue less operating expenses.

Interest Expense: The cost, paid or accrued, of purchased money indebtedness from affiliates or others.

Net Income Before Taxes: Income from continuing operations, after interest charges, but before income taxes and extraordinary gains or losses.

Income Taxes—Current: Includes taxes paid to the federal, state, and (if applicable) local government.

Deferred Income Taxes: Taxes arising principally from the difference in handling certain assets, such as tires and tubes, for book and tax purposes. Deferred taxes also includes investment tax credits, if applicable. This account is used in the cash throw equation.

Equity in Earnings of Affiliates: An account used in the cash throw equation. As of Jan. 1, 1977 this account was removed from the "Other Income/Deduction" account groupings and placed after taxes.

Net Income after Taxes: The sum of post-tax ordinary and extraordinary income.

Balance Sheet Data
Assets

Cash: Cash, temporary investments, and special deposits.

Receivables from Affiliates: Notes and accounts receivable due from affiliated companies.

Notes and Accounts Receivable: Trade receivables (billings to shippers), interline receivables (billings to other carriers), and other receivables.

Prepaid Expenses: Office supplies, taxes, license and other fees, insurance, interest, and warehoused tires and tubes. Under ICC rules, tires and tubes in use may be either expensed at the outset of use or relegated to this accrual category, according to the discretion of management.

Materials and Supplies: These include fuel, spare parts, and unmounted tires and tubes. Inventories may be expensed when purchased or as they are withdrawn for use.

Other Current Assets: Includes the standard accounting term "other current assets" and deferred income tax charges.

Current Assets: The sum of cash, accounts receivable, prepaid expenses, materials and supplies, and other current assets.

Carrier Operating Property (Net): A motor carrier's "inventory," that is, revenue producing fixed assets such as trucks, tractors, trailers, buildings, land, leasehold improvements, and office equipment, as valued at cost, less accumulated depreciation and amortization.

Total Tangible Property: Net carrier operating property plus other net non-carrier operating property. The "other" property account includes items such as land purchased for expansion, or buildings, etc.

Intangible Assets: A combination of (a) the carrying values of operating authorities ("Rights") from the ICC and state regulatory bodies and (b) goodwill, principally from acquisitions of other companies and their properties, being the excess of cost over the net book value of the assets acquired.

Other Assets: Investments in and advances to affiliated companies; deferred and miscellaneous debits.

Liabilities and Equity

Payables to Affiliates: Notes and accounts payable to affiliated companies.

Notes Payable: Short-term debt used for cyclical working capital purposes, such as license fees and insurance premiums. The current portion of funded (long-term debt) does not fall into this category.

Accounts Payable: Operational trade payables.

Miscellaneous Payables and Accruals: Unpaid salaries and benefits, including health, welfare and withholding taxes, accrued dividends and other miscellaneous accounts.

Taxes Payable: Miscellaneous taxes due or accrued, such as income, real estate and highway use, but not deferred income taxes.

Current Portion of Funded Debt: The amount of funded debt due within one year. Under ICC accounting practices, this is now considered a current liability.

Other Current Liabilities: Includes the current portion of advances payable, estimated accrued liabilities, other liabilities and deferred tax credits.

Current Liabilities: The sum of notes payable, accounts payable, miscellaneous payables and accruals, taxes payable, the current portion of funded debt and other current liabilities.

Advances Payable: Contains the non-current portion of advances payable, both to affiliated companies and other business enterprises.

Funded Debt: Secured or unsecured purchased money indebtedness taken for a term greater than one year and used primarily for revenue equipment and real estate purchases.

Total Long-Term Debt: The sum of long-term funded debt (excluding current maturities) and long-term advances payable.

Total Funded Debt: The total purchased money indebtedness of a company including long-term funded debt and the current portion of that debt. Long-term advances payable are not included here.

Reserves and Estimated Liabilities: Reserves covering cargo loss, damage and self-insurance programs.

Accumulated Deferred Tax Credits: Deferred income taxes resulting from the difference between book and tax treatment of depreciation.

Total Liabilities: The sum of current liabilities, total long-term debt, and reserves and estimated liabilities.

Stockholder's Equity: The equity in the assets held by proprietors, partnerships, and stockholders; comprises all classes of capital stock, capital surplus, and retained earnings, net of treasury stock.

Total Capital: Total long-term debt (funded debt due after one year and non-current advances payable) plus stockholder's equity.

Analytical Data

Profitability

Gross Revenues to Equity: One of several measures suggesting the degree of efficiency in employment of capital.

After-Tax Income to Equity: This ratio, return on shareholders' equity, indicates how well the owners' investment dollars are used.

Gross Revenues to Carrier Operating Property (Net) and (at Cost): These measures tell how much revenue is produced by each dollar of operating equipment and are another index of management's efficiency. They are best applied to year-to-year comparisons of the same or very similar carriers; the amount of purchased transportation employed can otherwise affect the validity of comparisons.

Gross Revenues to Total Capital and Pre-Tax Income to Total Capital: Two additional operating ratios which measure the turnover of total capital on revenues and pre-tax income.

Pre-Tax and After-Tax Income to Gross Revenues: Well-known measures of profitability. Since motor carriers typically show low margins on high volumes, even slight changes in these ratios may indicate significant trends.

Return on Transportation Investment: Net carrier operating income divided by carrier operating property (net) plus working capital expressed as a percent.

Expense Ratio: Total operating expenses plus interest expenses as a percentage of gross revenues. Unlike the operating ratio, the expense ratio also takes into account the cost of debt.

Operating Ratio: Operating expenses as a percentage of gross revenues. This is an important index of operating efficiency. Since it excludes extraordinary expenses, income taxes and interest, individual peculiarities are eliminated so that the ratio may be used as a measure of performance industry-wide.

Liquidity

Cash Throw: Net income after taxes plus depreciation, as defined, plus deferred income taxes accrued during the reporting period minus equity in the earnings of affiliated companies.

When mention is made of cash throw debt coverage, it is recognized that normal operations preclude such payoffs as cash throw is used for numerous purposes other than debt retirement. The time period coverage is offered as one measure of liquidity and should be evaluated *relative* to cash throw coverage of the other carrier groups.

Working Capital: Current assets less current liabilities.

Current Ratio: The ratio of current assets to current liabilities, both as previously defined. The working capital requirements of motor carriers are not comparable with those of other industries since inventories are relatively minor and receivables turn over relatively quickly.

Days of Cash Operating Expenses in Working Capital: To compute, (a) subtract depreciation and the gain (loss) from disposition of operating assets from operating expenses to get cash operating expenses; (b) divide cash operating expenses by 365; (c) divide the result into working capital. This ratio measures the ability of the carrier to meet daily operating expenses from working capital. To service debt, it is cash throw from ongoing operations, not a diminution of current assets, which is relevant, and, therefore, the days cash ratio is a better indicator of operational viability than the current ratio.

Average Days Collection Period: Notes and accounts receivable times 365 divided by gross revenues. This ratio is helpful in analyzing the collectibility of receivables. When comparing the collection period of one firm or industry with that of another, allowances should be made for possible variations in selling terms. Note that the collection period ratio shown herein, relating revenues to receivables, does not specifically address the collection procedure of motor carrier groups, however, it is indicative of *relative* turnover of receivables.

Leverage & Debt Service

Funded Debt to Equity: The ratio of total funded debt, including current maturities, to shareholders' equity. If current operations can be adequately funded from working capital, this ratio reveals the degree of protection afforded to long-term lenders.

TERMINOLOGY

Net Debt to Equity: Funded debt due after one year less working capital, divided by stockholders' equity. A more sharply-honed version of the preceding ratio, since it does not include working capital, which ought to be sufficient to cover current operations.

Funded Debt to Tangible Net Worth: Total funded debt divided by stockholders' equity less intangibles. This ratio is another "fine-tuned" version of the debt to equity ratio in that intangibles are eliminated from stockholders' equity.

Cash Throw to Debt Due in One Year: Cash throw divided by current portion of funded debt. This ratio, which indicates the ability to service the current portion of long-term debt principal, is useful for analyzing smaller carriers which finance equipment purchases on an installment contract basis. Since revolving credit arrangements do not provide for current maturities, the ratio will be misleading when applied to carriers using revolvers. An axiom of lenders is that carriers should be able to cover current debt maturities through depreciation alone.

Cash Throw to Total Funded Debt: This index reveals the proportion of total funded debt that could be repaid in one year if all cash throw were directed to that end. As such, it yields a better measure of the ability of carriers who use equipment revolvers to service their debt than does the preceding ratio. The reciprocal of this ratio is the number of years required to repay debt completely, and it may usefully be compared with the average remaining life of carrier operating property.

Interest to Total Funded Debt: This index shows the percentage interest payments represent of total funded debt.

Net Carrier Operating Property to Net Worth: As a measure of owners' equity in operating property, this ratio points to the relative adequacy of capitalization as well as to efficient use of capital.

Additional Ratios

Receivables to Payables: Notes and accounts receivable divided by notes payable plus accounts payable.

Depreciation to Debt Due in "One" Year: Depreciation divided by funded debt due in "one" year.

Total Tangible Property to Equity: Total tangible property divided by stockholders equity.

Income Before Extraordinary Items to Equity, Percent: Net income after taxes, but before extraordinary and prior period items divided by stockholders equity times 100.

Gross Revenues to Total Tangible Property: Gross revenues divided by total tangible property.

Productivity

Total Payroll to Revenues: This ratio suggests the degree of efficiency with which labor is employed. The ability to control payroll expenses will vary, of course, between different kinds of carriers and the ratio should be used with caution when comparing carriers of unlike kind.

Total Payroll (WPT) to Revenues: The ratio of total payroll (including purchased transportation) to revenues is a refinement of the preceding ratio. It too reveals efficiency in the use of personnel resources; it is more meaningful than the ratio of total payroll to revenues for analyzing those carriers, such as Group D carriers, which rely heavily upon purchased transportation.

Cargo Handler Compensation to Revenues: Cargo handler compensation comprises one of the main components of total payroll, especially for general freight carriers. Thus, this ratio focuses upon one aspect of personnel cost.

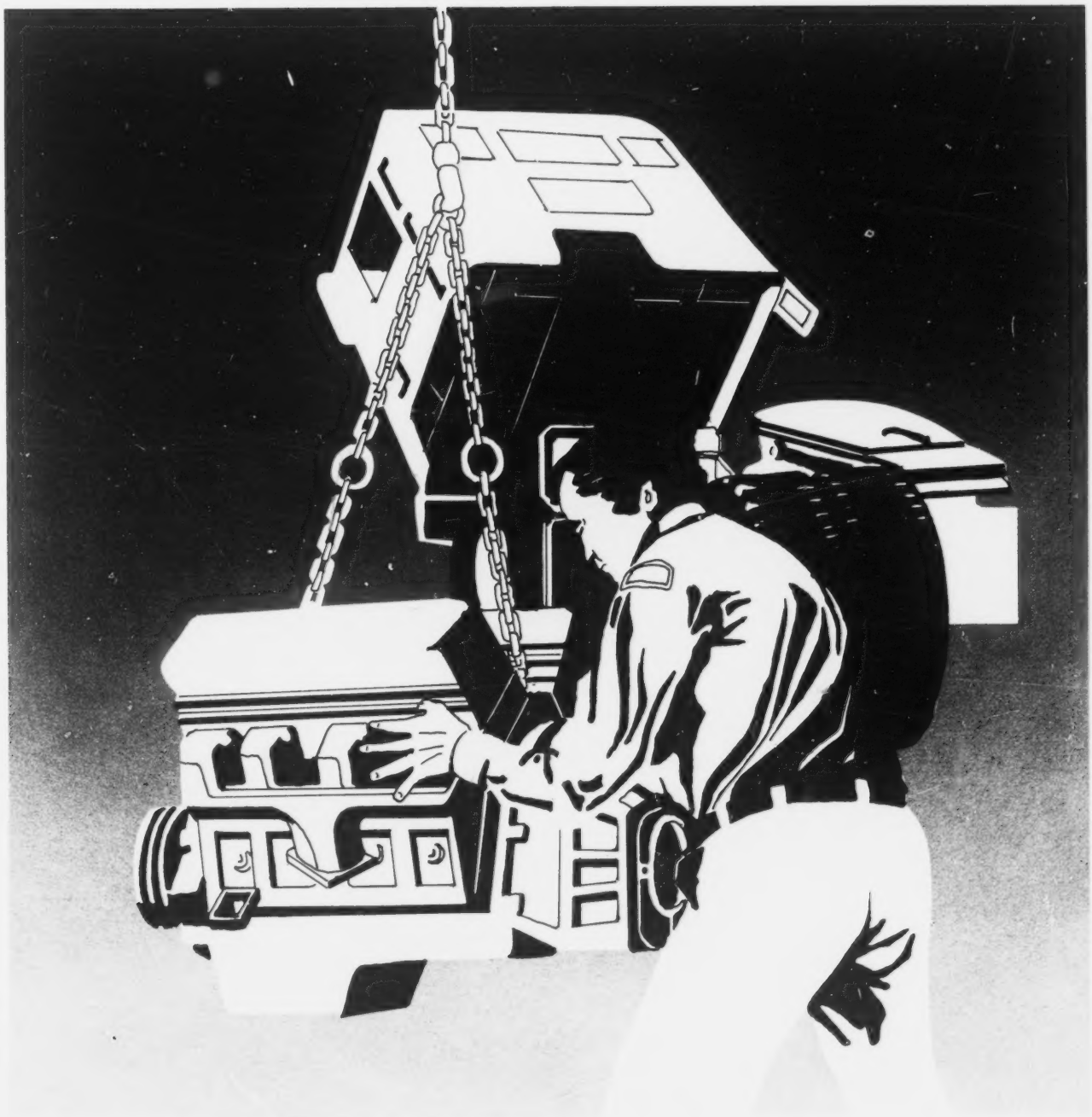
Linehaul Expenses to Revenues: The linehaul expense category aggregates the allocation of various operating expenses. The ratio thus gives yet another handle on operating productivity.

Average Load: An index of the utilization of productive capacity, derived from the ton-mile figures compiled by carriers. Ton-miles are perhaps the most troublesome statistic for motor carriers to generate, but should reflect a summation of the number of truck movements made during any period, with the relevant data for each truck movement being the tons handled multiplied by the mileage of the movement.

Total Tons: Total tons reflects a combination of tons handled in truckload and less-truckload amounts as well as tonnage from common and contract carrier intercity service.

Total Miles: Total miles reflects intercity miles with owned vehicles and intercity miles with vehicles rented with and without driver as well as driveaway miles operated in intercity service.

Carrier Groups Analysis



Composite Carrier Groups: A, B, & C

Introduction

Data included in this section of the analysis represents the combined results (composite) of operations for Class I (gross operating revenues over $3,000,000) and II (gross operating revenues over $1,000,000 but less than $3,000,000) intercity motor carriers of general freight.

It does not include carriers of special commodities such as automobiles, petroleum and chemical products, household goods, and other specialized products which are reported under Carrier Group D in a later section of the report. The 857 carriers included in the composite for 1979 are identical with the 1978 carriers to ensure comparability. The 857 carriers comprise 50.8% of the total revenues generated by all 17,083 motor carriers of freight regulated by the Interstate Commerce Commission in 1979. Data for the Composite A,B,C analysis are shown for five years; while trends are generally indicative of the group's historical performance, only 1978 and 1979 are fully comparable.

Operating Performance

In 1979, Carrier Groups A,B,C reported revenues 14.1% higher than 1978, due principally to increased rates. Total tonnage dropped 2.6% and operating results deteriorated substantially. The operating ratio increased by almost 2 points from 94.5% in 1978 to 96.4% in 1979 reflecting lower volume—which creates less efficient operations—and higher operating and materials (especially fuel) costs. Inflation drove up interest charges for borrowed funds as the composite expense ratio rose by 2 points from 95.2% in 1978 to 97.3% in 1979.

Compared with a five-year average composite operating ratio of 95.1%, the 1979 operating ratio of 96.4% represents a significant deterioration in the efficiency of the Carrier Groups A,B,C composite. Operating expenses were up 16.4% reflecting higher wage and fuel costs. Purchased transportation increased from 9.8% of revenue in 1978 to 10.6% in 1979 reflecting continued increasing reliance on leased revenue equipment given the on-going inflationary pressures of rising equipment costs and high interest levels and the softening in the economy during the second half of 1979. Interest expense rose by almost 40% in dollars from .7% of revenue in 1978 to .9% of revenue in 1979 as a result of increased use of debt and higher borrowing costs.

Income before tax dropped by $284 million to $623 million in 1979, down 31% from $908 million in 1978. Income after tax dropped by $159 million to $436 million in 1979, a decrease of 27% from the prior year. Return on equity and return on transportation investment both dropped sharply to 12.0% and 15.4% in 1979, compared with 16.6% (ROE) and 24.0% (RTI) respectively in 1978. Net income dropped from 3.2% of revenue in 1978 to 2.1% in 1979.

Liquidity

Given the sharp drop in earnings for Carrier Groups A,B,C, liquidity deteriorated only slightly as dollar increases in depreciation ($71 million) and in debt ($278 million) offset lower earnings. Accounts receivable increased by $242 million as the average days collection period increased from 29.7 days in 1978 to 30.3 in 1979. Total current liabilities increased by $245 million (comprised principally of an $83 million increase in trade payables and an $149 million increase in other current liabilities) which kept the current ratio at 1.2 times, the same level as in 1978. The ratio of receivables to payables rose from 1.87 to 1 in 1978 to 1.96 to 1 in 1979, and the ratio of days' cash operating expenses dropped from 10.0 to 9.5 days. In summary, the liquidity of the general freight composite stayed at a satisfactory level, although continued earnings pressure on the industry threaten to further erode working capital adequacy.

Leverage and Debt Service

At year end 1979, Carrier Groups A,B,C had $4,339.7 million of net carrier operating property, a 15.7% increase over 1978. This operating property was 45.9% depreciated versus 46.6% depreciated at year end 1978, and the relative age of operating property remained unchanged as net property additions were postponed in anticipation of the business downturn in the second half of 1979.

During 1979, total funded debt for the composite rose $278 million, or 11.1% to $1.62 billion. In relation to tangible net worth, funded debt represented 52% in 1979, up from 44% of tangible net worth in 1978. Annual cash throw to total funded debt dropped 22% from 92.5% in 1978 to 71.9% in 1979, and cash throw to funded debt due within one year dropped 21% from a coverage factor of 609.0% in 1978 to 481.2% in 1979, which is less than the coverage factor of 489.4% experienced in 1975, the last recession year prior to the current situation. As a measure of non-cash sources of debt repayment, the ratio of depreciation to debt due within one year continued to decline and dropped from 308% in 1978 to 289% in 1979, compared with 318% in 1975. Stockholder's equity declined from 44.6% of total footings in 1978 to 41.5%. More importantly, the ratio of stockholder's equity to net carrier operating property dropped from 95% to 84% during 1979.

In summary, it is evident that the 1979 operating results experienced by Carrier Groups A,B,C reflect sharply depressed earnings and a reduced level of return on investment and stockholder's equity. As a result, this Group is required to borrow an ever increasing amount of capital to support its investment in net carrier operating property. It would appear that, although the 1979 Composite Carrier Groups A,B,C have adequate liquidity and incremental debt absorption capacity to expand when business conditions improve, the disturbing trends in lower profitability and the reliance on increased debt utilization threaten the long-term survival of any inefficient and undercapitalized carrier.

Carrier Group A

Introduction

Group A is comprised of those general freight carriers with annual gross revenues of less than $1.0 million but greater than $500,000. The number of carriers totals 71 identical firms in 1979 and 1978 to ensure comparability. While these carriers account for a modest percentage of the Nation's general freight business (less than 1% of revenues of all motor carriers in this Financial Analysis), Group A is an important part of the industry. These small short-haul carriers provide primarily local freight service and connecting service with the longer-haul inter-regional and national carriers.

The carriers included in Group A represent a very small fraction of those carriers with revenues less than $1.0 million. Since the majority of these very small carriers tend to file less complete financial statements with the Interstate Commerce Commission, it is not possible to include the data on these truly small carriers in this Carrier Group A. Notwithstanding the limited scope of this sample Group A, the data is generally indicative of small carrier operations. It should be noted that 1979 will be the last year for which Carrier Group A data will be available on an ICC region-by-region basis. For the year beginning January 1, 1980, the ICC will no longer require submission of financial statements for those carriers with annual gross revenues of less than $1.0 million

Operating Performance

For 1979, Carrier Group A experienced a very poor year. Several of the nine ICC regions reported revenue declines with the Central Region reporting a 42.4% drop in revenue. For the entire Group A intercity mileage dropped by 32.6% and intercity tonnage declined by 37.0% with the result that Group A's gross revenue declined by 16.8%. Although revenue per ton mile for Group A increased by 48.4% from 18.77 cents per ton mile to 27.86, the Group's operating ratio deteriorated from 99.1% in 1978 to 101.6% in 1979, more than 5 points above the industry composite. The operating ratio deteriorated for the New England, Middle Atlantic, Central, Midwestern, Southwestern, Rocky Mountain, and the Pacific Regions and improved only for the Southern and the Northwestern Regions. In spite of an operating loss and higher interest expense in 1979 than 1978, Group A managed through other income sources ($2.43 million) to achieve a small but positive net income of $610,000 for the year. Net income for 1979 decreased 51.4% over 1978 and amounted to 1.1% of revenue, down substantially from net income of 1.8% of revenue in 1978. The Central, Southwestern, and Pacific Regions reported net losses in 1979. Group A had the lowest return on equity in the industry, 5.28%, and coupled with an operating loss experienced a negative return on transportation investment.

Liquidity

While Group A's net income was substantially lower in 1979 than 1978, the Group's liquidity was not seriously impaired. The current ratio declined slightly from 1.22 to 1.19, basically in line with the composite of 1.20. Working capital increased very little to $2.86 million, but remains strong as the number of days' cash operating expenses in working capital increased from 15.6 to 18.4 days. Receivables collection continues to lengthen for Group A, with an increase from 37.8 days in 1978 to 42.4 days in 1979. This slowdown in the collection period should be of concern to this group given the expense of supporting these receivable assets.

Five ICC regions had liquidity above the Group A average based on days' cash operating expenses in working capital. Three regions were below average and the Central region was inadequately low at 3.9 days.

Leverage and Debt Service

Group A's $7.65 million of net carrier operating property is about 25% of total assets. The revenue fleet is more than two-thirds depreciated, which reflects the relative age of Group A's equipment. The motor carrier industry composite reflects net operating property at 49.4% of total assets of which only 46% is depreciated. The small carriers typically purchase used equipment as well as make greater use of purchased transportation (14.9% of revenue) than the industry composite (10.6% of revenue). As a result, Group A had a higher asset turnover (revenues divided by net carrier operating property) of 7.46 times compared with 4.82 times for the composite.

At year end 1979, Group A's total funded debt decreased modestly by $270,000 to $3.73 million, and the ratio of funded debt to tangible net worth stood at .37 to 1, which was less than the composite measure of .52 to 1. The New England Region had the highest leverage at .71 to 1; the Middlewestern, Southwestern, Pacific and Central regions exceeded the Group A average, and the remaining regions were below the Group A average. Annual cash throw to total funded debt dropped from 79.4% to 63.7% and cash throw to funded debt due in one year decreased from 338.7% in 1978 to 279.1% in 1979. As a measure on non-cash sources of debt repayment, Group A's ratio of depreciation to debt due within one year increased slightly to 2.09 to 1 which is considerably lower than the industry composite of 2.89 to 1. Stockholder's equity as a percentage of total footings decreased by 1% to 37.3% in 1979.

In summary, Group A had a lower investment in net operating property, lower debt levels, and satisfactory debt service coverage ratios. However, continued operating losses will reduce the ability of Group A carriers to earn and retain the capital needed to support their operating property requirements without relying on increased debt levels.

Composite Carrier Groups A, B & C

BEST AVAI

Number of Carriers	Total Group A 71				Total Group B 430				Total Group C 356			
Year	1979		1978		1979		1978		1979		1978	
Income Statement	$	%	$	%	$	%	$	%	$	%	$	%
Income & Expense Data												
Gross Revenues	57.03	100.0	68.51	100.0	1,078.96	100.0	964.73	100.0	19,773.34	100.0	17,295.11	100.0
Depreciation	1.77	3.1	1.94	2.8	36.95	3.4	32.11	3.3	660.33	3.3	594.38	3.4
Purchased Transportation	8.49	14.9	11.74	17.1	176.41	16.4	153.79	15.9	2,030.60	10.3	1,625.41	9.4
Total Operating Expenses	57.95	101.6	67.86	99.0	1,041.04	96.5	924.42	95.8	19,062.10	96.4	16,327.08	94.4
Net Carrier Operating Income	0.93 -	1.6 -	0.65	1.0	37.91	3.5	40.30	4.2	711.24	3.6	968.03	5.6
Interest Expense	0.54	0.9	0.47	0.7	11.69	1.1	8.91	0.9	174.59	0.9	124.33	0.7
Net Income Before Taxes	C.96	1.7	1.72	2.5	36.20	3.4	41.13	4.3	586.09	3.0	864.86	5.0
Income Taxes--Current	0.34	0.6	0.50	0.7	11.49	1.1	11.67	1.2	151.42	0.8	281.07	1.6
Deferred Income Taxes	0.01 -	0.0	0.01 -	0.0	0.74	0.1	C.60	0.1	58.96	0.3	64.30	0.4
Equity in Earnings of Affil	C.00	0.0	0.00	0.0	0.89	0.1	0.46	0.0	29.31	0.1	45.18	0.3
Net Income After Taxes	0.61	1.1	1.25	1.8	25.14	2.3	29.40	3.0	410.37	2.1	563.97	3.3
Balance Sheet												
Assets												
Cash	3.58	11.6	3.64	12.5	46.47	9.1	42.71	9.6	581.67	7.1	658.06	8.7
Receivables from Affiliates	6.16	20.0	3.93	13.6	24.19	4.7	20.42	4.6	140.03	1.7	130.99	1.7
Notes & Accounts Receivable	6.63	21.5	7.10	24.5	114.42	22.3	100.29	22.5	1,612.77	19.6	1,384.42	18.4
Prepaid Expenses	0.86	2.8	0.92	3.2	16.33	3.2	14.60	3.3	273.32	3.3	249.01	3.3
Materials & Supplies	0.36	1.2	0.26	0.9	6.80	1.3	4.91	1.1	206.70	2.5	130.75	1.7
Other Current Assets	0.11	0.4	0.09	0.3	1.76	0.3	1.01	0.2	29.27	0.4	28.30	0.4
Total Current Assets	17.69	57.5	15.94	54.9	209.97	41.0	183.96	41.3	2,843.77	34.5	2,581.53	34.3
Carrier Operating Property	22.62	73.5	22.26	76.7	411.08	80.3	368.10	82.6	7,588.23	92.1	6,635.40	88.1
Reserve for Depreciation	14.97	48.6	14.69	50.6	212.40	41.5	192.07	43.1	3,454.86	42.0	3,068.54	40.7
Carrier Operating Property Net	7.65	24.8	7.57	26.1	198.68	38.8	176.02	39.5	4,133.37	50.2	3,566.85	47.4
Total Tangible Property	9.94	32.3	9.99	34.4	220.74	43.1	191.14	42.9	4,207.63	51.1	3,639.73	48.3
Intangibles	1.28	4.1	1.38	4.7	23.12	4.5	21.41	4.8	527.56	6.4	463.63	6.2
Other Assets	1.88	6.1	1.70	5.9	58.15	11.4	49.32	11.1	655.74	8.0	847.12	11.2
Total Assets	30.78	100.0	29.01	100.0	511.99	100.0	445.83	100.0	8,234.70	100.0	7,532.01	100.0
Liabilities & Equity												
Payables to Affiliates	5.95	19.3	3.88	13.4	15.44	3.0	11.99	2.7	81.87	1.0	77.59	1.0
Notes Payable	1.01	3.3	0.92	3.2	14.20	2.8	11.50	2.6	25.94	0.3	24.66	0.3
Accounts Payable	4.75	15.4	4.93	17.0	74.08	14.5	64.06	14.4	766.50	9.3	693.52	9.2
Misc Payables & Accruals	0.56	1.8	0.55	1.9	14.10	2.8	13.77	3.1	257.67	3.1	236.26	3.1
Taxes Payable	0.48	1.6	0.57	2.0	10.22	2.0	10.28	2.3	121.50	1.5	182.10	2.4
Funded Debt Due Within One Year	0.85	2.8	0.94	3.2	29.91	5.8	23.28	5.2	211.28	2.6	179.79	2.4
Other Current Liabilities	1.22	4.0	1.30	4.5	23.58	4.6	20.87	4.7	904.43	11.0	758.27	10.1
Total Current Liabilities	14.82	48.2	13.09	45.1	181.53	35.5	155.75	34.9	2,369.18	28.8	2,152.19	28.6
Advances Payable	1.50	4.9	1.64	5.7	32.77	6.4	24.52	5.5	512.26	6.2	378.14	5.0
Funded Debt Due After One Year	2.88	9.4	3.06	10.6	80.56	15.7	68.17	15.3	1,295.30	15.7	1,067.70	14.2
Total Long Term Debt	4.38	14.2	4.71	16.2	113.32	22.1	92.69	20.8	1,807.56	22.0	1,445.84	19.2
Total Funded Debt	3.73	12.1	4.00	13.8	110.46	21.6	91.45	20.5	1,506.58	6.2	1,247.49	3.3
Reserves & Est Liabilities	0.06	0.2	0.05	0.2	2.09	0.4	1.93	0.4	134.51	1.6	111.06	1.5
Accum Deferred Tax Credits	0.04	0.1	0.03	0.1	6.51	1.3	5.39	1.2	496.94	6.0	450.54	6.0
Total Liabilities	19.30	62.7	17.88	61.7	303.45	59.3	255.76	57.4	4,808.19	58.4	4,159.62	55.2
Stockholder's Equity	11.48	37.3	11.12	38.3	208.54	40.7	190.07	42.6	3,426.51	41.6	3,372.39	44.8
Total Capital	15.85	51.5	15.83	54.6	321.86	62.9	282.76	63.4	5,234.07	2.8	4,818.23	10.9
Total Liabilities & Equity	30.78	100.0	29.01	100.0	511.99	100.0	445.83	100.0	8,234.70	100.0	7,532.01	100.0

Analytical Data	Total Group A 1979	1978	Total Group B 1979	1978	Total Group C 1979	1978
Operating Performance						
Gross Revenues to Equity	4.97	6.16	5.17	5.08	5.77	5.13
Gross Revenues to Total Capital	3.60	4.33	3.35	3.41	3.78	3.59
Gross Revenues to Net Carr Oper Prop	7.46	9.05	5.43	5.48	4.78	4.85
Gross Revenues to Carr Oper Prop (Cost)	2.52	3.08	2.62	2.62	2.61	2.61
Pre-Tax Income to Gross Revenues, %	1.69	2.52	3.35	4.26	2.96	5.00
Pre-Tax Income to Total Capital, %	6.06	10.89	11.25	14.55	11.20	17.95
After Tax Income to Gross Revenues, %	1.06	1.82	2.33	3.05	2.08	3.26
After Tax Income to Equity, %	5.28	11.20	12.05	15.47	11.98	16.72
Return on Transportation Investment, %	8.82 -	6.26	16.69	19.73	15.44	24.22
Expense Ratio, %	102.57	99.74	97.57	96.75	97.29	95.12
Operating Ratio, %	101.63	99.05	96.49	95.82	96.40	94.40
Average Revenue per Carrier	0.80	0.96	2.51	2.24	55.54	48.58
Net Income Per Carrier	0.01	0.02	0.06	0.07	1.15	1.58
Liquidity						
Cash Throw Off, Dollars	2.37	3.18	61.94	61.66	1,100.35	1,177.46
Working Capital, Dollars	2.86	2.84	28.44	28.21	474.59	429.34
Current Ratio	1.19	1.22	1.16	1.18	1.20	1.20
Days Cash Oper Exp in Work Cap	18.43	15.63	10.29	11.50	9.38	9.93
Average Days Collection Period	42.41	37.82	38.71	37.95	29.77	29.22
Leverage & Debt Service						
Funded Debt to Equity	0.32	0.36	0.53	0.48	0.44	0.37
Net Debt to Equity	0.00	0.02	0.25	0.21	0.24	0.19
Funded Debt to Tangible Net Worth	0.37	0.41	0.60	0.54	0.52	0.43
Cash Throw to Funded Debt Due In One Year, %	279.10	338.73	207.11	264.87	520.81	654.91
Cash Throw to Total Funded Debt, %	63.67	79.43	56.07	67.42	73.04	94.39
Interest to Total Funded Debt, %	14.43	11.82	10.58	9.74	11.59	9.97
Carrier Property (Net) to Equity	C.67	0.68	0.95	0.93	1.21	1.06
Additional Ratios						
Receivables to Payables	1.15	1.21	1.30	1.33	2.04	1.93
Deprec to Debt Due in One Year	2.09	2.07	1.24	1.38	3.13	3.31
Total Tang Prop to Equity	0.87	0.90	1.06	1.01	1.23	1.08
Income Before Extra Items Etc to Equity, %	5.47	11.10	11.92	15.42	11.82	16.73
Gross Revenues to Total Tang Prop	5.74	6.86	4.89	5.05	4.70	4.75
Productivity Measures (Int-Cty Carr Only)						
Total Payroll to Revenues, %	39.47	40.35	36.58	37.71	40.95	41.89
Total Payroll (WPI) to Revenues, %	48.39	54.97	50.87	51.49	51.44	51.38
Cargo Handler Compen to Revenues, %	4.18	3.71	4.59	4.81	8.51	8.71
Linehaul Expenses to Revenues, %	26.38	33.46	35.32	35.21	41.73	39.50
Revenue Per Ton-Mile, Cents	27.86	18.77	19.08	17.17	14.92	13.44
Average Load, Tons	7.94	10.65	10.20	10.01	13.52	13.60
Total Tons, Thous	675.10	1,072.18	20,559.55	21,335.24	218,079.11	223,330.20
Total Miles, Thous	9,033.11	13,395.15	330,050.95	336,796.90	7,672,743.47	7,470,353.04

Dollar Amounts in Millions

LABLE COPY

Total A, B & C 857 1979		857 1978		963 1977		748 1976		803 1975	
$	%	$	%	$	%	$	%	$	%
20,909.32	100.0	18,328.35	100.0	13,777.94	100.0	13,208.8	100.0	11,310.5	100.0
699.06	3.3	628.43	3.4	495.92	3.6	502.5	3.8	468.2	4.1
2,215.50	10.6	1,790.94	9.8	1,294.44	9.4	1,051.2	8.0	818.7	7.2
20,161.09	96.4	17,319.37	94.5	13,014.65	94.5	12,570.2	95.2	10,744.1	95.0
748.23	3.6	1,008.98	5.5	763.30	5.5	638.6	4.8	566.4	5.0
186.82	0.9	133.71	0.7	100.39	0.7	90.0	0.7	103.3	0.9
623.25	3.0	907.72	5.0	717.51	5.2	598.4	4.5	459.2	4.1
163.25	0.8	293.25	1.6	252.86	1.8	226.1	1.7	NA	NA
59.69	0.3	64.89	0.4	39.27	0.3	27.5	0.2	NA	NA
30.19	0.1	45.64	0.2	38.27	0.3	20.5	0.2	NA	NA
436.11	2.1	594.62	3.2	462.83	3.4	364.9	2.8	251.7	2.2
631.72	7.2	704.41	8.8	602.65	9.4	641.1	10.6	505.1	9.3
170.38	1.9	155.34	1.9	146.64	2.3	141.0	2.3	NA	NA
1,733.81	19.8	1,491.81	18.6	1,112.69	17.4	975.6	16.2	1,002.1	18.4
290.51	3.3	264.54	3.3	224.63	3.5	186.6	3.1	174.2	3.2
213.86	2.4	135.93	1.7	105.84	1.7	107.9	1.8	93.4	1.7
31.15	0.4	29.39	0.4	24.80	0.4	16.8	0.3	15.9	0.3
3,071.43	35.0	2,781.42	34.7	2,217.26	34.7	2,069.0	34.3	1,790.7	32.9
8,021.93	91.4	7,025.75	87.7	5,478.77	85.8	5,511.9	91.4	4,958.5	91.1
3,682.23	42.0	3,275.30	40.9	2,600.79	40.7	2,700.5	44.8	2,407.3	44.2
4,339.70	49.4	3,750.44	46.8	2,877.98	45.1	2,811.4	46.6	2,551.2	46.9
4,438.31	50.6	3,840.86	48.0	2,952.67	46.2	2,876.8	47.7	2,631.1	48.3
551.96	6.3	486.42	6.1	411.34	6.4	344.3	5.7	308.0	5.7
715.77	8.2	898.15	11.2	803.97	12.6	738.3	12.2	714.7	13.1
8,777.47	100.0	8,006.85	100.0	6,385.24	100.0	6,028.4	100.0	5,444.4	100.0
103.26	1.2	93.47	1.2	82.75	1.3	69.2	1.1	NA	NA
41.14	0.5	37.08	0.5	39.27	0.6	37.3	0.6	29.3	0.5
845.33	9.6	762.51	9.5	606.64	9.5	533.1	8.8	562.3	10.3
272.33	3.1	250.58	3.1	172.78	2.7	186.6	3.1	182.3	3.4
132.21	1.5	192.94	2.4	142.53	2.2	159.9	2.7	108.8	2.0
242.04	2.8	204.00	2.5	170.78	2.7	165.0	2.7	147.4	2.7
929.23	10.6	780.43	9.7	531.66	8.3	486.2	8.1	NA	NA
2,565.53	29.2	2,321.03	29.0	1,746.41	27.4	1,637.2	27.2	1,440.0	26.5
546.53	6.2	404.30	5.0	239.00	3.7	296.6	4.9	NA	NA
1,378.73	15.7	1,138.94	14.2	932.94	14.6	815.3	13.5	1,021.3	18.8
1,925.26	21.9	1,543.24	19.3	1,171.94	18.4	1,111.9	18.4	1,021.3	18.8
1,620.77	7.1	1,342.95	4.3	1,103.72	17.0	980.3	16.0	1,168.6	21.5
136.66	1.6	113.03	1.4	123.64	1.0	102.1	1.0	392.6	7.2
503.48	5.7	455.96	5.7	322.40	5.0	355.9	5.9	NA	NA
5,130.94	58.5	4,433.26	55.4	3,364.40	52.7	3,207.2	53.2	2,853.9	52.4
3,646.53	41.5	3,573.59	44.6	3,020.85	47.3	2,821.3	46.8	2,590.5	47.6
5,571.79	6.5	5,116.82	1.5	4,192.79	65.0	3,933.2	65.0	3,611.8	66.3
8,777.47	100.0	8,006.85	100.0	6,385.24	100.0	6,028.4	100.0	5,444.4	100.0

Total A, B & C 1979	1978	1977	1976	1975
5.73	5.13	4.56	4.68	4.37
3.75	3.58	8.28	3.35	3.13
4.82	4.89	4.78	4.69	4.43
2.61	2.61	2.51	2.39	2.28
2.98	4.95	5.20	4.53	4.06
11.19	17.74	17.11	15.21	12.71
2.09	3.24	3.35	2.76	2.22
11.96	16.64	15.32	12.93	9.77
15.44	23.96	22.79	19.69	19.52
97.32	95.22	95.18	95.84	95.91
96.42	94.49	94.45	95.16	94.99
24.40	21.39	14.31	17.7	38.4
0.51	0.69	0.48	0.5	0.3
1,164.67	1,242.29	959.75	874.4	721.2
505.90	460.40	470.85	431.8	350.7
1.20	1.20	1.26	1.26	1.24
9.46	10.03	13.67	13.03	12.46
30.27	29.71	29.47	26.96	32.34
0.44	0.38	0.36	0.34	0.45
0.24	0.19	0.15	0.13	0.32
0.52	0.44	0.42	0.39	0.51
481.20	608.95	561.97	529.92	489.43
71.86	92.51	86.95	89.19	61.71
11.53	9.96	9.09	9.18	8.84
1.19	1.05	0.95	0.99	0.98
1.96	1.87	1.72	1.71	1.69
2.89	3.08	2.90	3.04	3.18
1.22	1.07	0.97	1.01	1.02
11.81	16.64	15.34	12.94	9.93
4.71	4.77	4.66	4.59	4.30
40.77	41.72	41.69	42.98	43.43
51.41	51.39	51.55	50.93	50.67
8.35	8.54	8.55	8.62	8.65
41.44	39.31	39.43	40.85	39.84
15.05	13.57	13.58	12.91	12.00
13.38	13.44	13.51	13.20	13.02
239,313.76	245,737.61	NA	NA	NA
011,827.53	7,820,545.09	NA	NA	NA

Carrier Group A

BEST AVAI

Region Number	1				2				3				4			
Region	New England				Middle Atlantic				Central				Southern			
Number of Carriers	7				11				17				12			
Year	1979		1978		1979		1978		1979		1978		1979		1978	
Income Statement	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Income & Expense Data																
Gross Revenues	5.72	100.0	5.32	100.0	8.20	100.0	8.50	100.0	13.78	100.0	23.91	100.0	9.50	100.0	9.20	100.0
Depreciation	0.13	2.3	0.13	2.5	0.31	3.8	0.32	3.8	0.49	3.6	0.57	2.4	0.33	3.4	0.40	4.4
Purchased Transportation	0.37	6.4	0.29	5.5	0.82	10.0	0.67	7.9	3.01	21.9	6.05	25.3	0.77	8.2	0.70	7.7
Total Operating Expenses	5.85	102.3	5.35	100.6	7.97	97.2	8.07	95.0	14.67	106.5	24.21	101.3	9.10	95.8	8.83	96.0
Net Carrier Operating Income	0.13	2.3	0.03	0.6	0.23	2.8	0.42	5.0	0.89	6.5	0.31	1.3	0.40	4.2	0.36	4.0
Interest Expense	0.10	1.8	0.05	1.0	0.07	0.9	0.08	1.0	0.14	1.0	0.10	0.4	0.05	0.5	0.06	0.7
Net Income Before Taxes	0.04	0.7	0.07	1.3	0.20	2.4	0.35	4.2	0.28	2.1	0.12	0.5	0.40	4.2	0.34	3.7
Income Taxes—Current	0.01	0.2	0.01	0.2	0.09	1.0	0.10	1.1	0.01	0.1	0.05	0.2	0.14	1.5	0.11	1.2
Deferred Income Taxes	0.00	0.0	0.00	0.0	0.00	0.1	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.01	0.1
Equity in Earnings of Affil	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
Net Income After Taxes	0.03	0.5	0.07	1.3	0.12	1.4	0.26	3.0	0.30	2.1	0.07	0.3	0.27	2.8	0.24	2.6
Balance Sheet																
Assets																
Cash	0.43	18.4	0.35	16.0	0.76	18.5	0.74	17.9	0.34	6.8	0.47	8.5	0.70	15.8	0.89	21.0
Receivables from Affiliates	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.75	15.0	0.32	5.8	0.26	5.9	0.12	2.8
Notes & Accounts Receivable	0.63	27.1	0.58	26.6	0.88	21.4	0.96	23.2	1.27	25.3	1.95	35.3	1.24	28.1	1.12	26.5
Prepaid Expenses	0.08	3.4	0.06	2.6	0.25	6.1	0.26	6.2	1.16	3.1	0.20	3.6	0.11	2.4	0.07	1.7
Materials & Supplies	0.03	1.1	0.02	0.7	0.03	0.7	0.04	1.0	0.03	0.7	0.05	0.9	0.03	0.8	0.01	0.3
Other Current Assets	0.01	0.4	0.01	0.4	0.01	0.3	0.02	0.6	0.00	0.0	0.01	0.1	0.08	1.7	0.04	0.9
Total Current Assets	1.18	50.4	1.01	46.3	1.93	47.1	2.03	48.9	2.56	51.0	3.00	54.2	2.41	54.7	2.25	53.2
Carrier Operating Property	2.06	88.3	1.98	90.6	3.79	92.3	3.90	94.1	4.97	98.9	4.99	90.2	3.96	89.6	3.80	89.9
Reserve for Depreciation	1.33	56.9	1.22	56.0	2.32	56.6	2.35	56.7	3.28	65.3	3.26	58.9	2.75	62.4	2.57	60.7
Carrier Operating Property Net	0.73	31.4	0.76	34.6	1.46	35.7	1.55	37.4	1.69	33.6	1.73	31.3	1.20	27.2	1.23	29.1
Total Tangible Property	0.76	32.7	0.80	36.4	1.47	36.0	1.59	38.4	1.69	33.7	1.73	31.3	1.20	27.3	1.23	29.2
Intangibles	0.22	9.3	0.25	11.3	0.29	7.2	0.31	7.4	0.30	5.9	0.30	5.5	0.30	6.8	0.29	6.9
Other Assets	0.18	7.6	0.13	6.0	0.40	9.8	0.22	5.3	0.47	9.4	0.50	9.0	0.50	11.3	0.46	10.8
Total Assets	2.33	100.0	2.19	100.0	4.10	100.0	4.15	100.0	5.03	100.0	5.53	100.0	4.41	100.0	4.23	100.0
Liabilities & Equity																
Payables to Affiliates	0.04	1.7	0.03	1.4	0.11	2.6	0.02	0.5	0.56	11.1	0.41	7.3	0.41	9.2	0.39	9.3
Notes Payable	0.20	8.6	0.25	11.3	0.18	4.3	0.17	4.0	0.28	5.6	0.15	2.7	0.19	4.2	0.14	3.2
Accounts Payable	0.59	25.2	0.50	23.0	0.80	19.6	0.92	22.2	0.75	15.0	0.94	17.1	0.73	16.5	0.66	15.6
Misc Payables & Accruals	0.05	2.2	0.04	1.7	0.13	3.3	0.07	1.8	0.07	1.4	0.09	1.7	0.06	1.3	0.07	1.7
Taxes Payable	0.02	0.9	0.02	1.1	0.02	0.5	0.08	1.8	0.10	1.9	0.15	2.8	0.13	3.1	0.07	1.7
Funded Debt Due Within One Year	0.00	0.1	0.01	0.7	0.19	4.6	0.23	5.5	0.24	4.8	0.23	4.2	0.07	1.5	0.10	2.4
Other Current Liabilities	0.11	4.9	0.06	2.6	0.19	4.6	0.15	3.7	0.41	8.2	0.44	7.9	0.08	1.9	0.17	4.1
Total Current Liabilities	1.02	43.5	0.91	41.7	1.62	39.5	1.64	39.6	2.41	47.9	2.42	43.7	1.66	37.7	1.61	38.1
Advances Payable	0.07	3.2	0.06	2.8	0.17	4.1	0.17	4.1	0.04	0.9	0.03	0.5	0.00	0.0	0.00	0.0
Funded Debt Due After One Year	0.42	18.1	0.45	20.4	0.37	9.0	0.48	11.7	0.46	9.1	0.57	10.2	0.31	7.1	0.42	10.0
Total Long Term Debt	0.50	21.3	0.51	23.1	0.54	13.1	0.65	15.7	0.50	10.0	0.59	10.8	0.31	7.1	0.42	10.0
Total Funded Debt	0.42	18.2	0.46	21.0	0.56	13.5	0.71	17.2	0.70	13.9	0.80	14.5	0.38	8.6	0.52	12.4
Reserves & Est Liabilities	0.00	0.2	0.00	0.2	0.00	0.1	0.00	0.0	0.02	0.3	0.00	0.1	0.01	0.2	0.01	0.2
Accum Deferred Tax Credits	0.00	0.2	0.00	0.2	0.01	0.3	0.02	0.4	0.00	0.0	0.00	0.0	0.01	0.3	0.01	0.3
Total Liabilities	1.52	65.2	1.43	65.2	2.17	53.0	2.31	55.8	2.93	58.3	3.01	54.5	2.00	45.2	2.06	48.6
Stockholder's Equity	0.81	34.8	0.76	34.8	1.93	47.0	1.84	44.2	2.10	41.7	2.52	45.5	2.42	54.8	2.17	51.4
Total Capital	1.31	56.1	1.27	58.0	2.46	60.1	2.49	60.0	2.60	51.8	3.11	56.2	2.73	61.8	2.60	61.4
Total Liabilities & Equity	2.33	100.0	2.19	100.0	4.10	100.0	4.15	100.0	5.03	100.0	5.53	100.0	4.41	100.0	4.23	100.0

Analytical Data	New England		Middle Atlantic		Central		Southern	
	1979	1978	1979	1978	1979	1978	1979	1978
Operating Performance								
Gross Revenues to Equity	7.05	6.98	4.25	4.63	6.57	9.51	3.93	4.23
Gross Revenues to Total Capital	4.37	4.20	3.33	3.41	5.30	7.69	3.48	3.54
Gross Revenues to Net Carr Oper Prop	7.81	7.02	5.60	5.47	8.15	13.82	7.89	7.47
Gross Revenues to Carr Oper Prop (Cost)	2.77	2.68	2.17	2.18	2.77	4.79	2.40	2.42
Pre-Tax Income to Gross Revenues, %	0.73	1.30	2.44	4.17	2.06	0.49	4.23	3.67
Pre-Tax Income to Total Capital, %	3.20	5.45	8.13	14.22	10.93	3.80	14.70	13.00
After Tax Income to Gross Revenues, %	0.47	1.26	1.45	3.01	2.14	0.30	2.79	2.65
After Tax Income to Equity, %	3.34	8.81	6.15	13.92	14.08	2.87	10.98	11.20
Return on Transportation Investment, %	14.69	3.77	13.01	21.77	48.35	13.24	20.58	19.52
Expense Ratio, %	104.12	101.62	98.05	96.03	107.48	101.68	96.30	96.73
Operating Ratio, %	102.29	100.61	97.18	95.04	106.47	101.28	95.77	96.03
Average Revenue Per Carrier	0.82	0.76	0.75	0.77	0.81	1.41	0.79	0.77
Net Income Per Carrier	0.00	0.01	0.01	0.02	0.02	0.00	0.02	0.02
Liquidity								
Cash Throw, Dollars	0.16	0.20	0.43	0.58	0.20	0.65	0.59	0.64
Working Capital, Dollars	0.16	0.10	0.31	0.39	0.15	0.58	0.75	0.64
Current Ratio	1.16	1.11	1.19	1.23	1.06	1.24	1.45	1.40
Days Cash Oper Exp in Work Cap	10.20	6.94	14.54	18.08	3.91	8.91	31.04	27.37
Average Days Collection Period	40.40	40.00	39.15	41.26	33.74	29.80	47.72	44.41
Leverage & Debt Service								
Funded Debt to Equity	0.52	0.60	0.29	0.39	0.33	0.32	0.16	0.24
Net Debt to Equity	0.32	0.45	0.03	0.05	0.15	0.01	0.18	0.10
Funded Debt to Tangible Net Worth	0.71	0.89	0.34	0.47	0.39	0.36	0.18	0.28
Cash Throw to Funded Debt Due in One Year, %	8,157.77	1,368.76	227.69	252.97	82.45	275.90	890.98	625.74
Cash Throw to Total Funded Debt, %	37.91	43.66	77.03	81.33	28.35	80.80	155.54	121.16
Interest to Total Funded Debt, %	24.61	11.71	12.85	11.86	19.82	12.00	13.38	12.27
Carrier Property (Net) to Equity	0.90	0.99	0.76	0.85	0.81	0.69	0.50	0.57
Additional Ratios								
Receivables to Payables	0.80	0.78	0.90	0.88	1.23	1.78	1.36	1.41
Deprec. to Debt Due in One Year	67.84	9.11	1.67	1.41	2.05	2.45	4.94	3.98
Total Tang Prop to Equity	0.94	1.04	0.76	0.87	0.81	0.69	0.50	0.57
Income Before Extra Items Etc to Equity, %	3.76	7.45	6.15	13.92	14.08	2.87	10.98	11.20
Gross Revenues to Total Tang Prop	7.49	6.68	5.56	5.34	8.14	13.81	7.89	7.46
Productivity Measures (Int-Cty Carr Only)								
Total Payroll to Revenues, %	40.79	41.34	34.50	35.03	37.68	40.12	42.11	43.37
Total Payroll (Wpt) to Revenues, %	46.27	46.39	40.84	40.98	67.25	70.52	46.83	47.04
Cargo Handler Compen to Revenues, %	1.80	1.94	3.16	3.17	7.18	3.92	2.92	2.84
Linehaul Expenses to Revenues, %	0.00	0.00	8.41	8.07	57.22	54.29	21.66	19.73
Revenue Per Ton-Mile, Cents	28.65	26.74	47.30	42.91	15.52	12.83	36.09	33.20
Average Load, Tons	7.08	6.81	5.07	5.45	10.90	13.63	7.66	7.71
Total Tons, Thous.	73.31	72.98	111.42	130.20	148.28	521.58	205.41	203.36
Total Miles, Thous	927.13	968.78	1,773.29	1,787.15	2,407.43	6,954.69	1,620.56	1,594.88

Dollar Amounts in Millions

ABLE COPY

5 Northwestern 1				6 Middlewestern 4				7 Southwestern 3				8 Rocky Mountain 2				9 Pacific 14				Total All Regions 71			
1979		1978		1979		1978		1979		1978		1979		1978		1979		1978		1979		1978	
$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
0.81	100.0	0.62	100.0	3.74	100.0	3.38	100.0	2.83	100.0	2.88	100.0	1.58	100.0	1.49	100.0	10.87	100.0	13.23	100.0	57.03	100.0	68.51	100.0
0.06	7.6	0.07	10.6	0.07	1.9	0.06	1.9	0.08	2.7	0.07	2.5	0.07	4.2	0.06	4.0	0.23	2.1	0.24	1.8	1.77	3.1	1.94	2.8
0.00	0.1	0.00	0.1	0.86	22.9	0.78	23.1	0.07	2.6	0.06	2.0	0.20 -	12.7 -	0.20 -	13.1 -	2.79	25.6	3.38	25.5	8.49	14.9	11.74	17.1
0.70	86.0	0.60	96.6	3.98	106.4	3.48	103.1	2.83	100.0	2.69	93.5	1.53	96.5	1.41	95.0	11.34	104.3	13.21	99.8	57.95	101.6	67.86	99.0
0.11	14.0	0.02	3.4	0.24 -	6.4	0.10 -	3.1 -	0.00	0.0	0.19	6.6	0.06	3.5	0.08	5.0	0.47 -	4.3 -	0.02	0.2	0.93 -	1.6 -	0.65	1.0
0.00	0.0	0.00	0.0	0.03	0.7	0.04	1.1	0.02	0.6	0.01	0.2	0.00	0.1	0.00	0.0	0.12	1.2	0.12	0.9	0.54	0.9	0.47	0.7
0.14	17.9	0.04	5.7	0.34	9.1	0.00	0.1 -	0.02	0.6	0.20	7.0	0.07	4.1	0.08	5.4	0.03	0.3	0.53	4.0	0.96	1.7	1.72	2.5
0.00	0.5	0.00	0.1	0.00	0.1	0.00	0.0	0.03	1.1	0.10	3.6	0.00	0.2	0.00	0.3	0.05	0.5	0.13	1.0	0.34	0.6	0.50	0.7
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.1 -	0.00	0.0	0.00	0.0	0.01 -	0.0	0.01 -	0.0
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
0.14	17.3	0.03	5.6	0.34	9.0	0.00	0.1 -	0.01 -	0.5 -	0.10	3.4	0.06	3.9	0.08	5.2	0.04 -	0.3 -	0.40	3.0	0.61	1.1	1.25	1.8
0.15	19.0	0.06	8.3	0.32	19.9	0.23	15.5	0.26	4.1	0.28	6.6	0.18	19.6	0.17	21.0	0.45	8.4	0.45	7.9	3.58	11.6	3.64	12.5
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	4.96	79.6	3.26	76.4	0.02	2.6	0.03	4.1	0.16	2.9	0.20	3.5	6.16	20.0	3.93	13.6
0.02	2.9	0.02	2.3	0.77	47.6	0.69	46.8	0.47	7.6	0.30	7.0	0.27	29.5	0.22	27.5	1.07	19.9	1.26	22.1	6.63	21.5	7.10	24.5
0.00	0.2	0.00	0.2	0.04	2.7	0.06	4.2	0.05	0.7	0.02	0.5	0.01	1.3	0.01	1.8	0.16	3.0	0.23	4.1	0.86	2.8	0.92	3.2
0.00	0.0	0.00	0.0	0.00	0.1	0.00	0.3	0.02	0.2	0.02	0.4	0.00	0.2	0.00	0.4	0.21	3.9	0.12	2.2	0.36	1.2	0.76	0.0
0.00	0.0	0.00	0.1	0.00	0.3	0.01	0.3	0.00	0.0	0.00	0.0	0.00	0.1	0.00	0.1	0.00	0.1	0.00	0.0	0.11	0.4	0.09	0.3
0.17	22.1	0.07	10.8	1.14	70.6	0.99	67.2	5.75	92.3	3.88	91.0	0.48	53.4	0.44	54.9	2.06	38.3	2.27	39.8	17.66	57.5	15.94	54.9
1.35	173.0	1.26	185.8	1.53	94.7	1.61	109.7	1.07	17.1	0.92	21.5	0.87	97.0	0.80	99.2	3.02	56.3	3.00	52.6	22.62	73.5	22.26	76.7
0.74	95.1	0.66	96.6	1.18	73.5	1.30	88.6	0.79	12.6	0.73	17.1	0.51	56.1	0.48	59.6	2.07	38.5	2.12	37.2	14.97	48.6	14.69	50.6
0.61	77.9	0.61	89.2	0.34	21.3	0.31	21.1	0.28	4.5	0.19	4.4	0.37	40.8	0.32	39.5	0.96	17.8	0.88	15.4	7.65	24.8	7.57	26.1
0.61	77.9	0.61	89.2	0.44	27.2	0.41	27.9	0.34	5.5	0.25	5.9	0.37	40.8	0.32	39.5	3.05	56.7	3.05	53.6	9.94	32.3	9.99	34.4
0.00	0.0	0.00	0.0	0.03	1.9	0.03	2.1	0.02	0.3	0.02	0.4	0.02	1.8	0.01	1.6	0.10	1.9	0.17	2.9	1.28	4.1	1.38	4.7
0.00	0.0	0.00	0.0	0.00	0.3	0.04	2.8	0.12	1.9	0.11	2.7	0.04	4.0	0.05	4.0	0.17	3.2	0.21	3.7	1.88	6.1	1.70	5.9
0.78	100.0	0.68	100.0	1.61	100.0	1.47	100.0	6.23	100.0	4.26	100.0	0.90	100.0	0.80	100.0	5.37	100.0	5.70	100.0	30.78	100.0	29.01	100.0
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	4.64	74.4	2.96	69.5	0.10	10.8	0.07	9.0	0.10	1.9	0.00	0.0	5.95	19.3	3.88	13.4
0.04	4.5	0.07	9.7	0.02	0.9	0.04	2.4	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.12	2.2	0.12	2.1	1.01	3.3	0.92	3.2
0.02	3.1	0.02	3.0	0.60	37.2	0.75	51.0	0.41	6.6	0.18	4.3	0.11	11.7	0.08	10.1	0.74	13.8	0.86	15.2	4.75	15.4	4.93	17.0
0.00	0.0	0.00	0.0	0.07	4.4	0.04	2.6	0.04	0.7	0.04	0.9	0.03	3.8	0.03	3.3	0.10	1.9	0.17	3.0	0.56	1.8	0.55	1.9
0.00	0.4	0.01	2.0	0.01	0.7	0.01	1.7	0.01	0.2	0.00	0.1	0.02	1.8	0.02	1.9	0.16	3.1	0.19	3.4	0.48	1.6	0.57	2.0
0.00	0.0	0.00	0.0	0.02	1.4	0.01	0.8	0.02	1.1	0.03	0.6	0.01	0.8	0.01	0.7	0.18	3.4	0.21	3.6	0.85	2.8	0.94	3.2
0.00	0.2	0.00	0.1	0.14	9.1	0.03	2.1	0.09	1.5	0.11	2.5	0.01	1.4	0.01	1.4	0.17	3.1	0.30	5.2	1.22	4.0	1.30	4.5
0.06	8.2	0.10	14.8	0.44	28.1	0.62	69.1	5.27	84.5	3.32	78.0	0.27	30.1	0.21	26.4	1.57	29.3	1.85	32.5	14.82	48.2	13.09	45.1
0.00	0.0	0.00	0.0	0.05	3.0	0.08	8.3	0.60	9.6	0.60	14.1	0.00	0.0	0.00	0.0	0.57	10.5	0.69	12.2	1.50	4.9	1.64	5.7
0.00	0.0	0.00	0.0	0.10	6.4	0.10	10.5	0.10	1.5	0.01	0.3	0.05	5.6	0.06	7.1	1.07	19.8	0.93	16.3	2.88	9.4	3.06	10.6
0.00	0.0	0.00	0.0	0.15	9.8	0.14	15.4	0.70	11.2	0.61	14.3	0.05	5.6	0.06	7.1	1.63	30.4	1.62	28.4	4.38	14.2	4.71	16.2
0.00	0.0	0.00	0.0	0.00	0.1	0.00	0.1	0.16	2.6	0.04	0.9	0.06	6.3	0.06	7.9	1.25	23.2	1.14	19.9	3.73	12.1	4.00	13.8
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.01	1.4	0.03	0.5	0.02	0.4	0.06	0.2	0.05	0.2
0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.01	1.2	0.00	0.0	0.00	0.0	0.00	0.0	0.04	0.1	0.03	0.1
0.06	8.2	0.10	14.8	1.06	67.1	1.26	86.1	5.96	95.6	3.93	92.3	0.33	36.9	0.28	34.9	3.23	60.2	3.50	61.3	19.30	62.7	17.88	61.7
0.72	91.8	0.58	85.2	0.52	32.9	0.20	13.9	0.27	4.4	0.33	7.7	0.57	63.1	0.52	65.1	2.14	39.8	2.20	38.7	11.48	37.3	11.12	38.3
0.72	91.8	0.58	85.2	0.57	41.8	0.44	30.3	0.97	15.5	0.94	22.0	0.62	68.6	0.58	72.2	3.77	70.2	3.83	67.1	15.85	51.5	15.83	54.7
0.78	100.0	0.68	100.0	1.61	100.0	1.47	100.0	6.23	100.0	4.26	100.0	0.90	100.0	0.80	100.0	5.37	100.0	5.70	100.0	30.78	100.0	29.01	100.0

Northwestern 1979	1978	Middlewestern 1979	1978	Southwestern 1979	1978	Rocky Mountain 1979	1978	Pacific 1979	1978	All Regions 1979	1978
1.13	1.07	7.18	16.52	10.39	8.77	2.78	2.85	5.08	6.00	4.97	6.16
1.13	1.07	5.55	7.59	2.93	3.06	2.55	2.57	2.88	3.46	3.60	4.33
1.33	1.02	10.90	10.92	10.10	15.24	4.29	4.68	11.36	15.09	7.46	9.05
0.60	0.49	2.45	2.10	2.65	3.14	1.81	1.87	3.59	4.41	2.52	3.08
17.85	5.72	9.14	0.11 -	0.58	7.03	4.14	5.38	0.31	4.02	1.69	2.52
20.18	6.13	50.70	0.84 -	1.70	21.54	10.56	13.79	0.90	13.90	6.06	10.89
17.31	5.58	9.05	0.11 -	0.61 -	3.39	3.95	5.13	0.33 -	3.04	1.06	1.82
19.57	5.99	64.92	1.86 -	5.35 -	29.71	10.96	14.76	1.69 -	18.22	5.28	11.20
15.87	3.61	44.32 -	37.88 -	0.11	25.30	9.52	13.74	32.43 -	1.74	8.82 -	6.26
85.96	96.64	107.11	104.19	100.60	93.67	96.80	95.29	105.44	100.77	102.57	99.74
85.96	96.64	106.44	103.06	99.97	93.45	96.52	94.96	104.29	99.83	101.63	99.05
0.81	0.62	0.93	0.84	0.94	0.96	0.79	0.74	0.78	0.94	0.80	0.96
0.14	0.03	0.08	0.00	0.00	0.03	0.03	0.04	0.00	0.03	0.01	0.02
0.20	0.10	0.41	0.06	0.06	0.17	0.13	0.14	0.20	0.65	2.37	3.18
0.11	0.03 -	0.20	0.04 -	0.49	0.56	0.21	0.23	0.48	0.42	2.86	2.84
2.71	0.73	1.21	0.96	1.09	1.17	1.77	2.08	1.31	1.22	1.19	1.22
62.51	18.74 -	18.60	3.88 -	64.52	77.53	52.28	61.59	15.62	11.62	18.43	15.63
10.22	9.08	75.05	74.33	60.99	37.71	61.35	54.26	35.86	34.82	42.41	37.82
0.00	0.00	0.38	1.30	0.60	0.12	0.10	0.12	0.58	0.52	0.32	0.36
0.15 -	0.05	0.18 -	0.90	1.44 -	1.66 -	0.28 -	0.33 -	0.27	0.23	0.00	0.02
0.00	0.00	0.41	1.53	0.65	0.12	0.10	0.12	0.61	0.56	0.37	0.41
0.00	0.00	429.24	51.32	88.69	626.15	1,845.04	2,282.85	107.22	313.92	279.10	338.73
0.00	0.00	205.32	22.90	37.18	440.07	226.11	216.21	15.68	57.14	63.67	79.43
0.00	0.00	12.68	14.29	10.88	16.62	7.89	7.84	10.01	10.98	14.43	11.82
0.85	1.05	0.66	1.51	1.03	0.58	0.65	0.61	0.45	0.40	0.67	0.68
0.38	0.18	1.25	0.88	1.16	1.61	2.52	2.74	1.25	1.28	1.15	1.21
0.00	0.00	0.74	0.55	1.10	2.64	9.54	10.07	1.27	1.18	2.09	2.07
0.85	1.05	0.84	2.00	1.25	0.76	0.65	0.61	1.42	1.39	0.87	0.90
19.57	5.99	64.80	1.84 -	5.35 -	29.71	10.96	14.76	0.79 -	18.22	5.47	11.10
1.33	1.02	8.51	8.25	8.34	11.48	4.29	4.68	3.57	4.33	5.74	6.86
0.00	0.00	21.00	20.86	46.11	46.45	50.29	49.12	42.91	44.40	39.47	40.35
0.00	0.00	27.31	26.96	48.19	46.83	37.55	35.98	47.05	46.84	48.39	54.97
0.00	0.00	0.00	0.00	7.84	6.14	5.35	4.68	4.53	6.41	4.18	3.71
0.00	0.00	0.00	0.00	21.52	28.89	44.36	42.21	36.54	35.29	26.38	33.46
0.00	0.00	68.52	45.63	68.20	28.07	29.33	31.95	20.38	15.78	27.86	18.77
0.00	0.00	4.54	5.70	5.96	14.49	7.92	6.57	8.47	10.81	7.94	10.65
0.00	0.00	23.67	35.21	24.22	24.82	36.67	36.06	52.11	47.98	675.10	1,072.18
0.00	0.00	286.33	313.87	243.80	212.80	568.92	602.02	1,205.65	960.97	9,033.11	13,395.15

Carrier Group B

Introduction

Carrier Group B consists of those motor carriers of general freight with annual gross revenues between $1.0 million and $5.0 million. As with Group A, the data for each ICC Region is presented and the 430 carriers included are identical in 1978 and 1979 for comparability. For 1979, these Group B Carriers generated 5.2% of the total gross revenues and 5.8% of the total net income after taxes produced by all of the general freight carriers surveyed in this 1980 Financial Analysis. While these carriers are concentrated principally in the Middle Atlantic, Central, Southern, and Pacific Regions, the greater number of carriers in all ICC regions assures a more representative group.

Operating Performance

For 1979, Carrier Group B experienced a decrease of 2.0% in intercity mileage and a 3.6% decrease in tonnage due both to the 10 day strike and the weakening economy. Revenues, however, due to rate increases, were up 11.8% to $1,079 million. With reduced tonnage and operating expense increases of 12.6%, the Group's operating ratio rose from 95.8% in 1978 to 96.5% in 1979. In addition, interest expense increased 31% and the total expense ratio increased from 96.8% in 1978 to 97.6% in 1979. Net income decreased by $4.26 million, or 14.5%, to $25.14 million or 2.3% of gross revenues.

While all ICC Group B Carrier Regions were profitable, they individually reflected a wide range of revenue growth rates and changes in profitability. The New England, Middle Atlantic, Central, and Pacific Regions had revenue increases of less than the Group B average of 11.8%. Only the Middle Atlantic, Southwestern and Southern Regions showed increased net income results in 1979.

The Central Region carriers' net income after taxes decreased 81.1%, the New England Region carriers decreased 30.8%, and the Pacific Region decreased 4.4%. The Rocky Mountain Region had a 23.3% revenue increase, but net income after taxes decreased by 22.9%. The Southwestern Region had a 22.5% revenue increase and a 22.3% increase in net after tax income. The Central Region carriers were the least efficient with an operating ratio of 98.8% followed by the New England Region Carriers with an operating ratio of 98.2%.

For Group B overall, return on equity decreased from 15.5% in 1978 to 12.1% in 1979, and return on transportation investment decreased from 19.7% in 1978 to 16.7%. For the year, Group B performed slightly better than the industry composite. Overall, Group B's liquidity remained adequate and in line with the industry composite. Aggregate working capital and cash throw increased slightly for the Group. However, days' cash operating expenses in working capital decreased by 1.21 days to 10.29 days and the average days' collection period increased by .76 days to 38.71 days, more than 8 days longer than the industry composite.

While satisfactory for the entire Group B, liquidity varied substantially by ICC region. The Rocky Mountain and New England Regions had negative working capital; all of the remaining regions showed reductions in working capital except the Southwestern, Northwestern and Pacific Regions which had increased working capital at year end.

Leverage and Debt Service

At year end 1979, Carrier Group B had increased its net operating property by $22.66 million to $198.68 million. This operating property was 51.7% depreciated in 1979, which reflects virtually no change in the age of Group B's operating property which was 52.2% depreciated at year end 1978. As would be expected, Carrier Group B did not upgrade its operating property in the face of the expected business downturn.

Group B's funded debt to tangible net worth stood at .60 to 1, slightly higher than the composite ratio of .52 to 1. As with Group A, Group B's leverage increased and debt coverage declined in 1979. Annual cash throw to total funded debt decreased by 16.8% from 67.4% to 56.1%, and cash throw to funded debt due in one year decreased by 21.8% from 264.9% to 207.1%. These percentages are well below the industry composite ratios of 71.9% and 481.2% respectively at year end 1979. In addition, the ratio of depreciation to debt due in one year for Group B was 1.24 to 1, which compares unfavorably with a composite industry ratio of 2.89 to 1. The New England Region's ratio was too low at .87 to 1, and the rest were adequate. It is noteworthy that Group B had purchased transportation expense at 16.4% of revenue versus the industry composite 10.6% for purchased transportation expense, which in part accounts for Group B's lower coverage of depreciation to debt due in one year. Group B, overall, is close to its maximum debt absorption capacity from a cash throw coverage viewpoint.

Group B's stockholders' equity declined from 42.6% of total footings in 1978 to 40.7% in 1979 as leverage increased. The Northwestern, Middlewestern, New England, and Pacific Regions had the highest leverage positions in Group B. Continued earnings pressure and increased debt positions may jeopardize the capital adequacy of these regional carriers.

Carrier Group C

Introduction

Carrier Group C includes 356 Class I carriers with annual gross revenues in excess of $5.0 million. In 1979, these carriers represented 94.6% of the total revenues and 94.1% of the net after tax income of all general freight carriers studied in this Financial Analysis. Group C includes all of the large carriers which historically have been the financially strongest companies in the industry and most of the publicly held carriers among Group E.

For purposes of comparison, Group C carriers have been segmented by average length of haul (ALOH). Group C carriers, in particular Group C-2, have operations which are multi-regional, and transcontinental in certain instances. The short-haul carriers are those whose ALOH is 250 miles and under and the long-haul carriers have an ALOH of 251 miles and over. In addition, Group C has been further divided based on revenue size as follows:

Group C-1 consists of 115 carriers with annual gross revenues between $5.0 and $10.0 million.

Group C-2 consists of 241 carriers with annual gross revenues in excess of $10.0 million.

Again to ensure comparability, the carriers are identical in 1978 and 1979. Group C, traditionally, has historically demonstrated the best operating performance within the carrier groups studied in this Financial Analysis. Given the economies of scale and their ability to attract, train and retain skilled management, Group C carriers should demonstrate strong operating results and sound financial conditions. The following observations are intended to reflect variations in the Carrier Groups C-1 and C-2 based upon the different average lengths of haul for the two revenue groupings:

Group C-1

For the short-haul carriers (250 miles and under) intercity mileage declined 2.8% and tonnage declined 1.4%, but revenues increased 14.1%. For the long-haul carriers (251 miles and over) intercity mileage decreased 10.1% and tonnage decreased only 0.2%, with revenue up 11.2%.

For the short-haul C-1 carriers, the operating ratio rose by almost 1 point to 97.0% and net income after tax decreased by 11.6% to $13.36 million, or 2.0% of revenue. The operating ratio for the long-haul C-1 Carriers rose by 2 points to 98.7% with the group reporting a net loss of $.63 million in 1979. Purchased transportation expense for these long-haul carriers, percentagewise, was three times more than the industry composite and rose from 29.6% to 32.7% of revenue, a 3.1% increase. The short-haul carriers posted an 11.6% return on equity but the long-haul carriers had a negative return on equity as compared to the industry composite of 12.0%.

Liquidity

For those Group C-1 carriers with ALOH under 250 miles, the current ratio was 1.16 to 1, and days' cash operating expenses in working capital were 8.74 days. However, for the longer haul Group C-1 carriers liquidity was inadequate with a negative working capital and a current ratio of .98 to 1, significantly below the industry composite ratio of 1.20 to 1. Days' cash operating expenses in working capital were 7.01 for Group C-1 overall, 2.45 days less than the composite figure of 9.46 days. Average days collection period was 33.23 days, nearly 3 days longer than the composite. Within the group, the short haul carriers had a better liquidity position and compared more favorably to the industry composite. In addition, while the short-haul carriers' cash throw decreased very little, the long-haul carriers' cash throw decreased by $2.43 million, or 40%.

Leverage and Debt Service

For Group C-1 overall, leverage increased slightly as the ratio of funded debt to tangible net worth increased from .52 to 1 in 1978 to .55 to 1 in 1979, just above the industry composite of .52 to 1. Total funded debt increased by 4.2%, stockholders' equity increased by 5.7%, but intangibles increased by $1.19 million which drove the leverage ratio up for Group C-1. The short-haul carriers, due to their stronger working capital position, had a net debt to equity ratio of .21 to 1, while the long-haul carriers showed a net debt to equity ratio of .55 to 1, as compared with the industry composite of .24 to 1. For Group C-1 overall, the ability to service debt decreased noticeably but still remained adequate. Cash throw to debt due in one year was 198.9% in 1979 down from 247.1% in 1978. Cash throw to total funded debt dropped from 65.8% to 55.0%. For the long-haul carriers, the latter two ratios were 177.0% and 37.7% respectively and compared most unfavorably with the industry composite ratios of 481.2% and 71.9% respectively. The short-haul carriers could pay off total funded debt with cash throw in 1.73 years and the long-haul carriers would take 2.65 years to pay off their total funded debt.

Stockholders' equity for all Group C-1 carriers was 42.4% of total footings as compared to 41.5% for the industry composite. The short-haul carriers had 44.8% stockholders' equity as a percentage of total footings, but the long-haul carriers had a ratio of 29.4%, and were the most poorly capitalized group of all the carriers studied in this Financial Analysis. In summary, while the Group C-1 carriers overall had adequate capitalization, liquidity, and operating performance, the long-haul Group C-1 carriers suffered a net after tax loss and found themselves highly illiquid and marginally capitalized at year end 1979.

Group C-2

Group C-2 consists of 241 carriers which posted a 3% increase in intercity mileage, a 2.4% decline in tonnage, and 14.4% increase in revenues in 1979. Within the ALOH categories, tonnage dropped 2.5%

Carrier Group B

BEST AVAIL

Region Number	1				2				3				4			
Region	New England				Middle Atlantic				Central				Southern			
Number of Carriers	39				96				75				72			
Year	1979		1978		1979		1978		1979		1978		1979		1978	
Income Statement	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
Income & Expense Data																
Gross Revenues	94.78	100.0	86.30	100.0	228.06	100.0	207.89	100.0	185.90	100.0	171.89	100.0	190.18	100.0	170.10	100.0
Depreciation	3.28	3.5	3.00	3.5	7.51	3.3	6.23	3.0	6.19	3.3	5.56	3.2	8.48	4.5	7.58	4.5
Purchased Transportation	6.67	7.0	5.52	6.4	36.50	16.0	35.76	17.2	31.13	16.7	27.25	15.9	24.19	12.7	21.23	12.5
Total Operating Expenses	93.12	98.2	83.99	97.3	219.78	96.4	200.28	96.3	183.69	98.8	165.88	96.5	179.41	94.3	159.60	93.8
Net Carrier Operating Income	1.66	1.8	2.32	2.7	8.28	3.6	7.61	3.7	2.21	1.2	6.01	3.5	10.77	5.7	10.50	6.2
Interest Expense	1.10	1.2	0.88	1.0	2.06	0.9	1.57	0.8	1.66	0.9	1.21	0.7	2.86	1.5	2.22	1.3
Net Income Before Taxes	1.86	2.0	2.55	3.0	7.09	3.1	7.12	3.4	1.99	1.1	6.34	3.7	10.97	5.8	10.20	6.0
Income Taxes–Current	0.33	0.4	0.49	0.6	1.93	0.8	2.10	1.0	1.21	0.7	1.85	1.1	3.38	1.8	2.99	1.8
Deferred Income Taxes	0.05	0.0	0.01	0.0	0.18	0.1	0.07	0.0	0.12	0.1	0.12	0.1	0.17	0.1	0.19	0.1
Equity in Earnings of Affil	0.03	0.0	0.01	0.0	0.60	0.3	0.30	0.1	0.08	0.0	0.01	0.0	0.19	0.1	0.04	0.0
Net Income After Taxes	1.45	1.5	2.09	2.4	5.62	2.5	5.30	2.5	0.81	0.4	4.30	2.5	7.58	4.0	7.14	4.2
Balance Sheet																
Assets																
Cash	3.44	7.7	3.12	7.5	11.81	11.8	10.99	12.5	5.84	8.3	7.45	11.4	10.24	8.8	8.82	8.4
Receivables from Affiliates	1.67	3.8	1.38	3.3	4.19	4.2	3.40	3.9	1.06	1.5	0.94	1.4	5.70	4.9	5.21	4.9
Notes & Accounts Receivable	10.83	24.3	9.86	23.8	21.87	21.9	20.68	23.5	16.48	23.4	16.32	24.9	22.79	19.5	19.80	18.9
Prepaid Expenses	1.38	3.1	1.26	3.0	3.74	3.8	3.05	3.5	2.64	4.0	2.50	3.8	2.97	2.4	2.90	2.8
Materials & Supplies	0.82	1.8	0.65	1.6	1.28	1.3	0.97	1.1	0.67	1.0	0.66	1.0	2.10	1.8	1.44	1.4
Other Current Assets	0.06	0.1	0.08	0.2	0.05	0.0	0.11	0.1	0.05	0.1	0.03	0.0	0.27	0.2	0.32	0.3
Total Current Assets	18.20	40.9	16.34	39.5	42.94	43.0	39.20	44.6	26.74	38.3	27.98	42.5	43.88	37.6	38.48	36.5
Carrier Operating Property	46.27	104.0	43.26	104.5	78.85	79.0	68.16	77.4	50.88	72.8	44.88	68.2	98.07	84.0	89.40	84.8
Reserve for Depreciation	25.55	57.4	23.52	56.8	42.10	42.2	37.04	42.1	33.74	48.3	15.33	23.4	48.68	41.7	43.78	41.5
Carrier Operating Property Net	20.73	46.6	19.75	47.7	36.75	36.8	31.11	35.4	17.14	24.5	29.55	44.8	49.39	42.3	45.63	43.3
Total Tangible Property	20.84	46.8	19.86	48.0	38.18	38.2	32.07	36.5	17.39	24.9	29.99	45.5	55.90	47.9	50.30	47.7
Intangibles	2.51	5.6	2.34	5.6	5.21	5.2	4.85	5.5	3.41	4.9	2.86	4.4	4.47	3.8	4.06	3.9
Other Assets	2.95	6.6	2.86	6.9	13.50	13.5	11.05	13.5	4.65	6.6	5.04	7.7	12.46	10.7	12.52	11.9
Total Assets	44.49	100.0	41.41	100.0	99.83	100.0	87.97	100.0	70.51	100.0	65.97	100.0	116.71	100.0	105.37	100.0
Liabilities & Equity																
Payables to Affiliates	2.05	4.6	1.53	3.7	2.50	2.5	2.09	2.4	1.14	1.6	0.92	1.4	1.76	1.5	2.22	2.1
Notes Payable	2.58	5.8	3.37	8.1	1.90	1.9	1.34	1.5	2.20	3.1	1.92	2.9	2.52	2.2	1.31	1.2
Accounts Payable	6.52	14.6	5.44	13.1	15.06	15.1	14.47	16.4	12.26	17.4	11.28	17.2	17.16	14.7	14.51	13.8
Misc Payables & Accruals	0.89	2.0	1.19	2.9	2.13	2.1	2.35	2.7	1.72	2.4	1.98	3.0	1.93	1.7	1.63	1.5
Taxes Payable	0.92	2.1	1.08	2.6	2.07	2.1	1.99	2.3	1.09	1.5	1.66	2.5	2.86	2.4	2.44	2.3
Funded Debt Due Within One Year	3.77	8.5	2.84	6.9	5.55	5.6	3.82	4.3	4.07	5.8	2.78	4.2	7.94	6.8	6.63	6.3
Other Current Liabilities	3.06	6.9	3.12	7.5	6.20	6.2	4.86	5.5	4.04	5.7	3.74	5.7	2.86	2.4	2.71	2.6
Total Current Liabilities	19.79	44.5	18.57	44.8	35.40	35.5	30.91	35.1	26.51	37.6	24.28	37.1	37.02	31.7	31.45	29.8
Advances Payable	0.60	1.3	1.25	3.0	2.08	2.1	1.82	2.1	2.56	3.6	1.82	2.8	1.71	1.5	1.09	1.0
Funded Debt Due After One Year	6.89	15.5	5.27	12.7	15.43	15.5	13.65	15.5	9.83	13.9	8.03	12.3	18.25	15.6	18.55	17.6
Total Long Term Debt	7.49	16.8	6.53	15.8	17.51	17.5	15.47	17.6	12.39	17.6	9.85	15.1	19.95	17.1	19.63	18.6
Total Funded Debt	10.67	24.0	8.11	19.6	20.98	21.0	17.47	19.9	13.90	19.7	10.81	16.5	26.19	22.4	25.18	23.9
Reserves & Est Liabilities	0.31	0.7	0.33	0.8	0.62	0.6	0.61	0.7	0.28	0.4	0.33	0.5	0.23	0.2	0.13	0.1
Accum Deferred Tax Credits	1.80	4.0	1.57	3.8	0.79	0.8	0.63	0.7	0.40	0.6	0.32	0.5	1.75	1.5	1.45	1.4
Total Liabilities	29.38	66.1	26.99	65.2	54.32	54.4	47.63	54.1	39.58	56.1	34.77	53.1	58.95	50.5	52.67	50.0
Stockholder's Equity	15.10	34.0	14.42	34.8	45.51	45.6	40.34	45.9	30.94	43.9	30.69	46.9	57.75	49.5	52.70	50.0
Total Capital	22.60	50.8	20.94	50.6	63.02	63.1	55.81	63.4	43.32	61.4	40.55	61.9	77.71	66.6	72.34	68.7
Total Liabilities & Equity	44.49	100.0	41.41	100.0	99.83	100.0	87.97	100.0	70.51	100.0	65.47	100.0	116.71	100.0	105.37	100.0

Analytical Data	New England 1979	1978	Middle Atlantic 1979	1978	Central 1979	1978	Southern 1979	1978
Operating Performance								
Gross Revenues to Equity	6.28	5.99	5.01	5.15	6.01	5.60	3.29	3.23
Gross Revenues to Total Capital	4.19	4.12	3.62	3.72	4.29	4.24	2.45	2.35
Gross Revenues to Net Carr Oper Prop	4.57	4.37	6.21	6.68	5.63	6.02	3.85	3.73
Gross Revenues to Carr Oper Prop (Cost)	2.05	1.99	2.89	3.05	2.64	2.73	1.94	1.90
Pre Tax Income to Gross Revenues %	1.96	2.96	3.11	3.43	1.07	3.69	5.77	6.00
Pre Tax Income to Total Capital, %	8.22	12.20	11.26	12.76	4.58	15.62	14.11	14.11
After Tax Income to Gross Revenues %	1.53	2.42	2.46	2.55	0.44	2.50	3.99	4.20
After Tax Income to Equity, %	9.58	14.50	12.34	13.13	2.62	14.00	13.13	13.56
Return on Transportation Investment, %	8.70	13.22	18.68	19.31	6.38	18.63	19.15	19.94
Expense Ratio %	99.40	98.34	97.28	97.10	99.70	97.21	95.84	95.14
Operating Ratio %	98.24	97.31	96.37	96.34	98.81	96.50	94.34	93.83
Average Revenue Per Carrier	2.43	2.21	2.38	2.17	2.48	2.29	2.64	2.36
Net Income Per Carrier	0.04	0.05	0.06	0.06	0.01	0.06	0.11	0.10
Liquidity								
Cash Throw, Dollars	4.81	5.11	12.71	11.29	7.04	9.97	16.04	14.87
Working Capital, Dollars	1.59	2.22	7.54	8.29	1.60	3.70	6.85	7.03
Current Ratio	0.92	0.88	1.21	1.27	1.06	1.15	1.19	1.22
Days Cash Oper Exp in Work Cap	6.46	9.99	12.94	15.57	3.27	8.38	14.55	16.87
Average Days Collection Period	41.69	41.70	35.00	36.30	32.36	34.65	43.74	42.48
Leverage & Debt Service								
Funded Debt to Equity	0.71	0.56	0.46	0.43	0.45	0.35	0.45	0.48
Net Debt to Equity	0.56	0.52	0.17	0.13	0.27	0.14	0.20	0.22
Funded Debt to Tangible Net Worth	0.85	0.67	0.52	0.49	0.51	0.39	0.49	0.52
Cash Throw to Funded Debt Due in One Year, %	127.41	179.85	229.13	295.69	173.08	358.59	202.02	224.25
Cash Throw to Total Funded Debt, %	45.05	62.93	60.59	64.64	50.64	92.20	61.26	59.07
Interest to Total Funded Debt, %	10.28	10.87	9.84	9.01	11.93	11.22	10.92	8.84
Carrier Property (Net) to Equity	1.37	1.37	0.81	0.77	1.07	0.93	0.86	0.87
Additional Ratios								
Receivables to Payables	1.19	1.12	1.29	1.31	1.14	1.24	1.16	1.25
Deprec to Debt Due in One Year	0.87	1.06	1.35	1.63	1.52	2.00	1.07	1.14
Total Tang Prop to Equity	1.38	1.38	0.84	0.79	1.11	0.96	0.97	0.95
Income Before Extra Items Etc to Equity, %	9.55	14.22	12.26	13.05	2.38	14.25	13.17	13.41
Gross Revenues to Total Tang Prop	4.55	4.35	5.97	6.48	5.41	5.81	3.40	3.38
Productivity Measures (Int-Cty Carr Only)								
Total Payroll to Revenues, %	45.50	46.58	38.02	38.85	39.25	39.40	33.66	34.53
Total Payroll (WPT) to Revenues, %	51.68	51.77	49.03	50.50	55.58	55.34	46.05	47.03
Cargo Handler Compen to Revenues, %	6.08	6.02	5.47	5.72	4.83	5.04	3.92	4.17
Linehaul Expenses to Revenues, %	8.91	8.61	22.90	27.67	38.91	37.56	36.73	37.17
Revenue Per Ton-Mile, Cents	36.21	30.74	30.81	24.37	18.08	16.18	18.34	15.57
Average Load, Tons	5.57	5.80	7.84	8.19	10.75	10.61	10.12	11.04
Total Tons, Thous	1,718.73	1,905.48	3,584.78	3,688.89	3,813.42	4,052.16	5,488.12	5,515.55
Total Miles, Thous	33,477.90	35,012.00	54,785.28	60,942.32	56,856.34	60,309.87	79,714.28	78,283.91

Dollar Amounts in Millions

ABLE COPY

5 Northwestern 17				6 Middlewestern 33				7 Southwestern 15				8 Rocky Mountain 17				9 Pacific 66				Total All Regions 430			
1979		1978		1979		1978		1979		1978		1979		1978		1979		1978		1979		1978	
$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
37.56	100.0	31.88	100.0	84.55	100.0	70.21	100.0	47.18	100.0	38.50	100.0	45.06	100.0	36.54	100.0	165.69	100.0	151.41	100.0	1,078.96	100.0	964.73	100.0
1.04	2.8	0.91	2.8	2.69	3.2	2.10	3.0	1.15	2.4	1.07	2.8	1.45	3.2	1.26	3.5	5.18	3.1	4.41	2.9	36.95	3.4	32.11	3.3
9.80	26.1	7.75	24.3	21.72	25.7	17.83	25.4	8.69	18.4	6.68	17.4	9.93	22.0	7.14	19.5	27.78	16.8	24.62	16.3	176.41	16.4	153.79	15.9
35.94	95.7	30.08	94.3	81.64	96.6	67.02	95.5	43.10	91.4	35.42	92.0	43.45	96.4	34.59	94.6	160.91	97.1	147.57	97.5	1,041.04	96.5	924.42	95.8
1.62	4.3	1.81	5.7	2.91	3.4	3.19	4.5	4.08	8.6	3.08	8.0	1.61	3.6	1.96	5.4	4.78	2.9	3.83	2.5	37.91	3.5	40.30	4.2
0.53	1.4	0.50	1.6	0.92	1.1	0.66	0.9	0.32	0.7	0.23	0.6	0.39	0.9	0.20	0.6	1.85	1.1	1.42	0.9	11.69	1.1	8.91	0.9
1.31	3.5	1.43	4.5	2.06	2.4	2.66	3.8	3.93	8.3	3.00	7.8	1.62	3.6	1.86	5.1	5.37	3.2	5.97	3.9	36.20	3.4	41.13	4.3
0.50	1.3	0.52	1.6	0.67	0.8	0.56	0.8	1.42	3.0	1.09	2.8	0.43	1.0	0.31	0.9	1.61	1.0	1.77	1.2	11.49	1.1	11.67	1.2
0.04	0.1	0.08	0.3	0.06	0.1	0.05	0.1	0.07	0.2	0.02	0.1	0.01	0.0	0.00	0.0	0.03	0.0	0.05	0.0	0.74	0.1	0.58	0.1
0.02	0.0	0.02	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.07	0.0	0.10	0.1	0.84	0.1	0.46	0.0
0.70	1.9	0.75	2.4	1.30	1.5	2.04	2.9	2.44	5.2	1.99	5.2	1.19	2.6	1.54	4.2	4.05	2.4	4.74	2.8	25.14	2.3	29.30	3.0
2.38	13.3	2.02	13.4	2.51	8.1	2.56	9.6	2.30	11.8	1.95	13.4	1.49	5.2	0.99	4.6	6.45	7.7	4.82	7.1	46.47	9.1	42.71	9.6
0.09	0.5	0.08	0.5	0.46	1.5	0.53	2.0	0.86	4.4	0.55	3.8	0.03	0.1	0.41	1.9	10.17	12.2	7.92	11.7	24.19	4.7	20.42	4.6
4.69	26.1	3.70	24.6	9.12	29.3	7.26	27.1	6.09	31.3	4.38	30.1	3.99	14.1	2.91	13.6	18.57	22.2	15.35	22.7	114.32	22.3	100.29	22.5
0.75	4.2	0.46	3.0	1.20	3.9	0.94	3.5	0.41	2.1	0.35	2.4	0.20	0.7	0.21	1.0	3.04	3.6	2.94	4.3	16.83	3.2	14.60	3.3
0.16	0.9	0.11	0.8	0.16	0.5	0.15	0.6	0.08	0.4	0.03	0.2	0.27	1.0	0.15	0.7	0.86	1.0	0.70	1.0	6.80	1.3	4.91	1.1
0.07	0.4	0.10	0.6	0.05	0.2	0.03	0.1	0.03	0.2	0.05	0.3	0.04	0.1	0.02	0.1	0.40	0.5	0.23	0.3	1.76	0.3	1.01	0.2
8.15	45.4	6.47	43.0	13.50	43.3	11.48	42.8	9.76	50.1	7.31	50.2	5.95	21.0	4.68	21.9	39.48	47.3	32.02	47.2	209.97	41.0	183.96	41.3
10.96	61.1	9.76	64.8	26.79	86.0	23.21	86.6	12.81	65.8	10.12	69.6	14.37	50.8	10.44	58.2	52.64	63.0	48.87	72.0	411.08	80.3	368.10	82.6
5.12	28.5	4.96	33.0	11.60	37.2	10.22	38.2	5.84	30.0	5.07	34.9	7.00	24.7	5.12	28.6	29.73	35.0	27.02	39.8	212.40	41.5	192.07	43.1
5.85	32.6	4.79	31.8	15.19	48.8	12.98	48.5	6.97	35.8	5.05	34.7	7.37	26.0	6.51	29.5	23.41	28.0	21.85	32.2	198.68	38.8	176.02	39.5
6.68	37.2	5.67	37.7	15.51	49.8	13.26	49.5	6.98	35.8	5.05	34.7	7.40	26.1	6.35	29.7	34.93	41.8	29.00	42.7	220.74	43.1	191.14	42.9
2.21	12.3	2.01	13.3	1.33	4.3	1.30	4.9	1.01	5.2	0.90	6.2	1.11	3.9	1.25	5.8	1.85	2.2	1.83	2.7	23.12	4.5	21.41	4.8
0.91	5.1	0.90	6.0	0.83	2.6	0.75	2.8	1.72	8.8	1.29	8.8	13.85	48.9	9.12	42.6	7.29	8.7	5.00	7.4	58.15	11.4	49.32	11.1
17.96	100.0	15.05	100.0	31.17	100.0	26.79	100.0	19.47	100.0	14.55	100.0	28.32	100.0	21.39	100.0	83.55	100.0	67.84	100.0	511.99	100.0	445.83	100.0
0.46	2.6	0.27	1.8	1.46	4.7	0.91	3.4	0.26	1.3	0.19	1.3	0.10	0.4	0.01	0.1	5.71	6.8	3.86	5.7	15.44	3.0	11.99	2.7
0.21	1.2	0.17	1.1	1.66	5.3	0.95	3.5	0.77	4.0	0.47	3.3	0.56	2.0	0.30	1.4	1.79	2.1	1.68	2.5	14.20	2.8	11.50	2.6
2.69	15.0	2.09	13.9	4.56	14.6	3.79	14.2	3.12	16.0	2.36	16.2	2.40	8.5	1.96	9.1	10.32	12.4	8.16	12.0	74.08	14.5	64.06	14.4
3.01	16.8	2.87	19.0	1.17	3.8	0.85	3.2	0.47	2.4	0.38	2.6	0.56	2.0	0.47	2.2	2.20	2.6	2.05	3.0	14.10	2.8	13.77	3.1
0.23	1.3	0.22	1.4	0.49	1.6	0.41	1.5	0.90	4.6	0.61	4.2	0.48	1.7	0.26	1.2	1.18	1.4	1.61	2.4	10.22	2.0	10.28	2.3
0.63	3.5	0.60	4.0	2.09	6.7	1.60	6.0	0.94	4.8	0.59	4.0	0.83	2.9	0.88	4.1	4.09	4.9	3.54	5.2	29.91	5.8	23.28	5.2
0.66	3.7	0.60	4.0	1.33	4.3	1.16	4.3	0.48	2.4	0.37	2.5	1.17	4.1	0.94	4.4	3.80	4.5	3.38	5.0	23.58	4.6	20.87	4.7
7.89	43.9	6.81	45.2	12.78	41.0	9.67	36.1	6.92	35.6	4.98	34.2	6.12	21.6	4.81	22.5	29.10	34.8	24.28	35.8	181.53	35.5	155.75	34.9
3.11	17.3	2.68	17.8	1.57	5.1	0.85	3.2	0.06	0.3	0.17	1.2	11.71	41.3	7.13	33.3	9.37	11.2	7.70	11.4	32.77	6.4	24.52	5.5
5.65	31.5	4.85	32.2	5.79	18.6	5.78	21.6	2.22	11.4	1.49	10.2	2.04	7.2	1.23	5.7	14.45	17.3	9.33	13.8	80.56	15.7	68.17	15.3
8.76	48.8	7.53	50.0	7.37	23.6	6.63	24.8	2.29	11.7	1.66	11.4	13.74	48.5	8.35	39.1	23.82	28.5	17.03	25.1	113.32	22.1	92.69	20.8
6.27	34.9	5.45	36.2	7.88	25.3	7.38	27.5	3.16	16.2	2.07	14.2	2.87	10.1	2.11	9.9	18.54	22.2	12.87	19.0	110.46	21.6	91.45	20.5
0.04	0.2	0.03	0.2	0.06	0.2	0.06	0.2	0.01	0.0	0.01	0.1	0.05	0.2	0.02	0.1	0.49	0.6	0.40	0.6	2.09	0.4	1.93	0.4
0.35	1.9	0.31	2.0	0.34	1.1	0.38	1.4	0.23	1.2	0.08	0.6	0.14	0.5	0.16	0.7	0.72	0.9	0.49	0.7	6.51	1.3	5.39	1.2
17.03	94.9	14.68	97.5	20.55	65.9	16.74	62.5	9.45	48.5	6.72	46.2	20.06	70.8	13.35	62.4	54.13	64.8	42.21	62.2	303.55	59.3	255.76	57.4
0.92	5.1	0.37	2.5	10.62	34.1	10.05	37.5	7.82	53.8	8.26	29.2	8.04	37.6	29.42	35.2	25.63	37.8	208.54	40.7	190.07	42.6
9.69	53.9	7.90	52.5	17.98	57.7	16.68	62.3	12.31	63.2	9.48	65.2	22.00	77.7	16.40	76.7	53.24	63.7	42.66	62.9	321.86	62.9	282.76	63.4
17.96	100.0	15.05	100.0	31.17	100.0	26.79	100.0	19.47	100.0	14.55	100.0	28.32	100.0	21.39	100.0	83.55	100.0	67.84	100.0	511.99	100.0	445.83	100.0

Northwestern 1979	1978	Middlewestern 1979	1978	Southwestern 1979	1978	Rocky Mountain 1979	1978	Pacific 1979	1978	All Regions 1979	1978
40.64	85.61	7.96	5.99	4.71	4.92	5.46	4.54	5.63	5.91	5.17	5.08
3.88	4.03	4.70	4.21	3.83	4.06	2.05	2.23	3.11	3.55	3.35	3.41
6.43	6.66	5.56	5.41	6.76	7.62	6.11	5.79	7.08	6.93	5.43	5.48
3.43	3.27	3.16	3.03	3.68	3.50	3.14	2.94	3.15	3.10	2.62	2.62
3.49	4.50	2.44	3.79	8.33	7.79	3.60	5.08	3.24	3.94	3.35	4.26
13.52	18.14	11.47	15.94	31.91	31.61	7.37	11.32	10.09	13.99	11.25	14.55
1.86	2.36	1.54	2.91	5.16	5.18	2.64	4.22	2.45	2.80	2.33	3.05
75.76	202.36	12.24	20.34	24.31	25.47	14.38	19.16	13.78	16.56	12.05	15.47
26.58	40.64	18.29	21.55	41.55	41.75	22.33	31.65	14.13	12.96	16.69	19.73
97.09	95.88	97.35	96.41	92.03	92.59	97.29	95.20	98.24	98.41	97.57	96.75
95.68	94.32	96.56	95.46	91.36	92.00	96.43	94.65	97.12	97.47	96.49	95.82
2.21	1.88	2.56	2.13	3.15	2.57	2.65	2.15	2.51	2.29	2.51	2.24
0.04	0.04	0.04	0.06	0.16	0.13	0.07	0.04	0.06	0.06	0.06	0.07
1.79	1.72	4.05	4.19	3.66	3.09	2.66	2.81	9.19	8.61	61.94	61.66
0.26	0.34	0.72	1.81	2.84	2.33	0.16	0.13	10.38	7.73	28.44	28.21
1.03	0.95	1.06	1.19	1.41	1.47	0.97	0.97	1.36	1.32	1.16	1.18
2.71	4.22	3.33	10.16	24.64	24.68	1.42	1.46	24.15	19.57	10.29	11.50
45.59	42.39	39.37	37.73	47.09	41.57	32.33	29.03	40.90	37.11	38.71	37.95
6.79	14.63	0.74	0.73	0.32	0.26	0.35	0.26	0.63	0.50	0.53	0.48
5.83	13.93	0.48	0.39	0.06	0.11	0.27	0.17	0.14	0.06	0.25	0.21
4.87	3.33	0.85	0.84	0.35	0.30	0.40	0.31	0.67	0.54	0.60	0.54
286.70	288.21	193.43	261.71	390.21	526.69	319.00	318.52	224.49	243.13	207.11	264.87
28.58	31.63	51.32	56.81	115.74	148.92	92.51	133.01	49.56	66.90	56.07	67.42
8.43	9.09	11.72	9.01	10.07	10.96	13.48	9.60	10.00	11.04	10.58	9.74
6.33	12.86	1.43	1.29	0.70	0.65	0.89	0.79	0.80	0.85	0.95	0.93
1.62	1.64	1.47	1.53	1.57	1.55	1.34	1.29	1.53	1.56	1.30	1.33
1.66	1.51	1.28	1.31	1.22	1.82	1.75	1.43	1.26	1.25	1.24	1.38
7.23	15.24	1.46	1.32	0.70	0.65	0.90	0.79	1.19	1.13	1.06	1.01
81.63	228.32	12.55	20.37	24.31	24.08	14.21	19.15	12.91	16.53	11.92	15.42
5.62	5.62	5.45	5.30	6.76	7.62	6.09	5.76	4.74	5.22	4.89	5.05
30.74	31.11	31.15	32.70	33.35	34.55	33.02	34.41	35.95	38.74	36.58	37.71
55.81	55.60	53.71	54.19	53.15	53.39	50.24	50.19	51.74	52.63	50.87	51.49
2.31	2.59	3.24	3.87	3.67	3.55	7.52	7.96	3.49	3.56	4.59	4.81
63.21	61.46	50.00	45.50	43.45	41.32	38.54	38.15	51.89	49.27	35.32	35.21
11.36	9.94	12.04	14.20	12.90	11.55	13.24	16.24	19.72	15.10	19.08	17.17
12.57	12.66	13.52	10.27	14.45	14.37	13.40	11.02	10.40	10.79	10.20	10.01
1,054.36	981.50	1,491.29	1,386.62	807.93	813.68	597.14	595.39	2,003.78	2,395.96	20,559.55	21,335.24
18,275.64	18,497.91	34,316.78	30,624.86	12,351.21	11,112.91	13,460.27	11,514.42	26,813.24	30,498.70	330,050.95	336,796.90

Combined Carrier Group C

BEST AVAIL

Carriers with Gross Revenues between $5,000,000 and $10,000,000

Average Length of Haul	250 Miles and Under		251 Miles and Over		Subtotal Group C-1		250 Miles and Under	
Number of Carriers	96		19		115		127	
Year	1979	1978	1979	1978	1979	1978	1979	1978
Income Statement	$ %	$ %	$ %	$ %	$ %	$ %	$ %	$ %
Income & Expense Data								
Gross Revenues	657.63 100.0	576.31 100.0	136.36 100.0	122.67 100.0	793.99 100.0	698.98 100.0	6,635.63 100.0	5,790.76 100.0
Depreciation	18.73 2.8	16.86 2.9	4.23 3.1	4.00 3.3	22.96 2.9	20.86 3.0	170.43 2.6	177.23 3.1
Purchased Transportation	112.04 17.0	94.65 16.4	44.64 32.7	36.33 29.6	156.68 19.7	130.98 18.7	585.64 8.8	495.69 8.6
Total Operating Expenses	637.59 97.0	553.57 96.1	134.54 98.7	118.58 96.7	772.13 97.2	672.15 96.2	6,383.92 96.2	5,522.17 95.4
Net Carrier Operating Income	20.04 3.0	22.73 3.9	1.82 1.3	4.10 3.3	21.86 2.8	26.83 3.8	251.71 3.8	268.59 4.6
Interest Expense	5.60 0.9	4.59 0.8	1.57 1.2	1.02 0.8	7.18 0.9	5.61 0.8	36.70 0.6	26.75 0.5
Net Income Before Taxes	18.99 2.9	20.15 3.5	0.47 - 0.3 -	2.53 2.1	18.52 2.3	22.69 3.2	205.78 3.1	229.19 4.0
Income Taxes-Current	6.61 1.0	5.88 1.0	0.22 0.2	0.56 0.5	6.83 0.9	6.44 0.9	51.10 0.8	70.59 1.2
Deferred Income Taxes	0.06 0.0	0.45 0.1	0.03 0.0	0.04 0.0	0.10 0.0	0.49 0.1	27.85 0.4	16.55 0.3
Equity in Earnings of Affi	0.86 0.1	0.99 0.2	0.09 0.1	0.17 0.1	0.95 0.1	1.16 0.2	5.29 0.1	3.41 0.1
Net Income After Taxes	13.36 2.0	15.11 2.6	0.63 - 0.5 -	2.11 1.7	12.73 1.6	17.22 2.5	134.06 2.0	144.82 2.5
Balance Sheet								
Assets								
Cash	22.58 8.8	22.00 9.7	3.31 6.9	4.78 10.3	25.89 8.5	26.78 9.8	171.34 7.8	145.36 7.5
Receivables from Affiliates	12.57 4.9	9.82 4.3	0.39 0.8	0.30 0.6	12.95 4.3	10.11 3.7	66.48 3.0	58.07 3.0
Notes & Accounts Receivable	58.86 22.9	49.49 21.7	13.42 27.9	11.31 24.5	72.28 23.7	60.80 22.2	495.06 22.5	433.82 22.5
Prepaid Expenses	8.77 3.4	7.99 3.5	1.57 3.3	1.76 3.8	10.34 3.4	9.75 3.6	44.94 2.0	43.25 2.2
Materials & Supplies	4.54 1.8	2.94 1.3	0.90 1.9	0.71 1.5	5.44 1.8	3.65 1.3	52.34 2.4	36.82 1.9
Other Current Assets	0.78 0.3	0.31 0.1	0.10 0.2	0.10 0.2	0.88 0.3	0.40 0.1	5.91 0.3	5.78 0.3
Total Current Assets	108.10 42.1	92.54 40.6	19.69 40.9	18.96 41.0	127.80 41.9	111.50 40.7	836.06 38.1	723.10 37.4
Carrier Operating Property	216.87 84.5	196.20 86.1	42.12 87.5	39.42 85.3	258.99 85.0	235.63 86.0	2,343.77 106.7	2,109.32 109.2
Reserve for Depreciation	109.52 42.7	99.69 43.8	21.46 44.6	19.34 41.8	130.98 43.0	119.03 43.4	1,207.21 55.	1,098.81 56.9
Carrier Operating Property Net	107.35 41.8	96.51 42.4	20.66 42.9	20.09 43.5	128.01 42.0	116.60 42.5	1,136.56 51.8	1,010.51 52.3
Total Tangible Property	116.10 45.2	104.70 45.9	20.71 43.0	21.51 46.5	136.82 44.9	126.21 46.1	1,153.16 52.5	1,026.83 53.2
Intangibles	9.96 3.9	9.30 4.1	3.18 6.6	2.65 5.7	13.14 4.3	11.94 4.4	65.41 3.0	57.70 3.0
Other Assets	22.42 8.7	21.32 9.4	4.55 9.4	3.11 6.7	26.97 8.9	24.42 8.9	141.57 6.4	123.25 6.4
Total Assets	256.59 100.0	227.86 100.0	48.13 100.0	46.22 100.0	304.72 100.0	274.08 100.0	2,196.20 100.0	1,930.88 100.0
Liabilities & Equity								
Payables to Affiliates	8.97 3.5	8.07 3.5	3.05 6.3	1.83 4.0	12.01 3.9	9.91 3.6	33.59 1.5	29.09 1.5
Notes Payable	5.49 2.1	4.66 2.0	0.55 1.2	2.15 4.7	6.04 2.0	6.91 2.5	14.54 0.7	10.98 0.6
Accounts Payable	36.40 14.2	30.89 13.6	9.14 19.0	7.76 16.8	45.55 14.9	38.04 14.1	202.65 9.2	196.90 10.2
Misc Payables & Accruals	7.53 2.9	6.49 2.8	1.23 2.6	1.08 2.3	8.77 2.9	7.57 2.8	87.43 4.0	78.50 4.1
Taxes Payable	4.01 1.6	3.04 1.3	0.63 1.3	0.46 1.0	4.64 1.5	3.54 1.3	27.22 1.2	33.10 1.7
Funded Debt Due Within One Year	15.51 6.0	13.10 5.7	2.00 4.2	2.04 4.4	17.52 5.7	15.14 5.5	55.92 2.5	51.18 2.7
Other Current Liabilities	15.34 6.0	12.72 5.6	3.51 7.3	2.52 5.5	18.85 6.2	15.24 5.6	313.65 14.3	252.86 13.1
Total Current Liabilities	93.26 36.3	78.96 34.7	20.12 41.8	17.85 38.6	113.38 37.2	96.81 35.3	735.00 33.5	652.61 33.8
Advances Payable	4.06 1.6	2.54 1.1	4.50 9.4	4.26 9.2	8.56 2.8	6.80 2.5	195.96 8.9	123.77 6.4
Funded Debt Due After One Year	38.45 15.0	35.16 15.4	7.40 15.4	6.58 14.2	45.85 15.0	41.74 15.2	224.95 10.2	208.19 10.8
Total Long Term Debt	42.51 16.6	37.70 16.5	11.90 24.7	10.84 23.5	54.41 17.9	48.54 17.7	420.91 19.2	331.96 17.2
Total Funded Debt	53.97 21.0	48.26 21.2	9.40 19.5	8.62 18.6	63.37 20.8	56.88 20.8	280.86 12.8	259.37 13.4
Reserves & Est Liabilities	1.65 0.6	0.90 0.4	0.23 0.5	0.17 0.4	1.87 0.6	1.07 0.4	38.67 1.8	34.38 1.8
Accum Deferred Tax Credits	4.17 1.6	3.97 1.7	1.73 3.6	1.55 3.4	5.91 1.9	5.52 2.0	157.92 7.2	126.97 6.6
Total Liabilities	141.59 55.2	121.53 53.3	33.98 70.6	30.41 65.8	175.57 57.6	151.94 55.4	1,352.50 61.6	1,145.92 59.3
Stockholder's Equity	115.00 44.8	106.32 46.7	14.16 29.4	15.82 34.2	129.15 42.4	122.14 44.6	843.70 38.4	784.96 40.7
Total Capital	157.51 61.4	144.03 63.2	26.06 54.1	26.66 57.7	183.57 60.2	170.68 62.3	1,264.61 12.0	1,116.92 6.1
Total Liabilities & Equity	256.59 100.0	227.86 100.0	48.13 100.0	46.22 100.0	304.72 100.0	274.08 100.0	2,196.20 100.0	1,930.88 100.0

Analytical Data	250 Miles and Under		251 Miles and Over		Subtotal Group C-1		250 Miles and Under	
	1979	1978	1979	1978	1979	1978	1979	1978
Operating Performance								
Gross Revenues to Equity	5.72	5.42	9.63	7.76	6.15	5.72	7.86	7.38
Gross Revenues to Total Capital	4.18	4.00	5.23	4.60	4.33	4.10	5.25	5.18
Gross Revenues to Net Carr Oper Prop	6.13	5.97	6.60	6.11	6.20	5.99	5.84	5.73
Gross Revenues to Carr Oper Prop (Cost)	3.03	2.94	3.24	3.11	3.07	2.97	2.83	2.75
Pre-Tax Income to Gross Revenues, %	2.89	3.50	0.34 -	2.06	2.33	3.25	3.10	3.96
Pre-Tax Income to Total Capital, %	12.06	13.99	1.79 -	9.50	10.09	13.29	16.27	20.52
After Tax Income to Gross Revenues, %	2.03	2.62	0.46 -	1.72	1.60	2.46	2.02	2.50
After Tax Income to Equity, %	11.62	14.21	4.45 -	13.32	9.86	14.10	15.89	18.45
Return on Transportation Investment, %	16.40	20.65	9.00	19.32	15.35	20.43	20.34	24.85
Expense Ratio, %	97.80	96.85	99.82	97.50	98.15	96.97	96.76	95.82
Operating Ratio, %	96.95	96.06	98.66	96.66	97.75	96.16	96.21	95.36
Average Revenue Per Carrier	6.85	6.00	7.18	6.46	6.90	6.08	52.25	45.60
Net Income Per Carrier	0.14	0.16	0.03 -	0.11	0.11	0.15	1.06	1.14
Liquidity								
Cash Throw Off, Dollar	31.29	31.43	3.55	5.97	34.83	37.40	327.06	335.18
Working Capital, Dollar	14.84	13.58	0.42 -	1.11	14.42	14.69	101.06	70.49
Current Ratio	1.16	1.17	0.98	1.06	1.13	1.15	1.14	1.11
Days Cash Operating Mark Cap	8.74	9.21	1.18 -	3.51	7.01	8.20	5.93	4.80
Average Payment Period	32.67	31.34	35.92	33.65	33.23	31.75	27.23	27.34
Leverage								
Funded Debt to Equity	0.47	0.45	0.66	0.54	0.49	0.47	0.33	0.33
Net Debt to Equity	0.21	0.20	0.55	0.35	0.24	0.22	0.15	0.18
Funded Debt to Tangible Net Worth	0.51	0.50	0.86	0.65	0.55	0.52	0.36	0.36
Cash Throw to Funded Debt Due in One Year, %	201.67	240.00	176.99	292.97	198.85	247.13	584.87	654.84
Cash Throw to Total Funded Debt, %	57.98	65.13	37.71	69.32	54.97	65.76	116.45	129.23
Interest to Total Funded Debt, %	10.38	9.51	16.74	11.88	11.32	9.87	13.07	10.31
Carrier Property (Net) to Equity	0.93	0.91	1.46	1.27	0.99	0.95	1.35	1.29
Additional Ratios								
Receivables to Payables	1.41	1.39	1.38	1.14	1.40	1.34	2.28	2.09
Deprec to Debt Due in One Year	1.21	1.29	2.11	1.96	1.31	1.38	3.05	3.46
Total Tang Prop to Equity	1.01	0.98	1.46	1.36	1.06	1.03	1.37	1.31
Income Before Extra Items Etc to Equity, %	11.45	13.93	4.45 -	13.32	9.71	13.85	15.66	18.47
Gross Revenues to Total Tang Prop	5.66	5.50	6.58	5.70	5.80	5.54	5.75	5.64
Productivity Measures (Int-Cty Carr Only)								
Total Payroll to Revenues, %	38.17	38.97	25.18	26.40	35.61	36.46	43.80	44.48
Total Payroll (WPT) to Revenues, %	53.31	54.07	58.74	56.97	54.38	54.65	52.80	53.19
Cargo Handler Compen to Revenues, %	6.73	6.87	3.37	3.58	6.07	6.22	8.41	8.66
Linehaul Expenses to Revenues, %	33.28	32.83	59.75	56.89	38.50	37.63	32.66	31.33
Revenue Per Ton Mile, Cents	25.14	21.91	9.82	8.72	19.17	16.79	26.88	24.14
Average Load, Tons	9.16	9.06	14.37	14.21	10.55	10.51	9.63	9.85
Total Tons, Thous	14,001.34	14,198.54	2,479.26	2,485.03	16,480.60	16,683.57	62,433.40	64,011.85
Total Miles, Thous	211,267.97	217,276.95	76,367.77	84,969.17	287,635.74	302,246.12	1,101,610.07	1,096,790.44

Dollar Amounts in Millions

ABLE COPY

Carriers with Revenues over $10,000,000

251 Through 500 Miles 63				501 Through 750 Miles 28				751 Miles & Over 23				Total Carriers with Gross Revenues Over $10,000,000 Subtotal Group C 2 241				Total Carriers with Gross Revenues Over $5,000,000 Combined Group C 356			
1979		1978		1979		1978		1979		1978		1979		1978		1979		1978	
$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
3,303.36	100.0	2,915.53	100.0	4,038.76	100.0	3,576.23	100.0	5,001.60	100.0	4,313.62	100.0	18,979.35	100.0	16,596.14	100.0	19,773.34	100.0	17,295.11	100.0
114.84	3.5	95.54	3.3	145.14	3.6	125.20	3.5	206.96	4.1	175.55	4.1	637.37	3.4	573.52	3.5	660.33	3.3	594.38	3.4
396.59	12.0	308.17	10.6	544.94	13.5	430.94	12.1	346.75	6.9	259.63	6.0	1,873.92	9.9	1,494.43	9.0	2,030.60	10.3	1,625.41	9.4
3,166.98	95.9	2,741.02	94.0	3,923.73	97.2	3,396.16	95.0	4,815.34	96.3	3,995.59	92.6	18,289.97	96.4	15,654.93	94.3	19,062.10	96.4	16,327.08	94.4
136.38	4.1	174.51	6.0	115.03	2.8	180.07	5.0	186.26	3.7	318.03	7.4	689.38	3.6	941.20	5.7	711.24	3.6	968.03	5.6
32.97	1.0	22.77	0.8	56.85	1.4	41.04	1.1	40.90	0.8	28.16	0.7	167.42	0.9	118.71	0.7	174.59	0.9	124.33	0.7
120.54	3.6	161.97	5.6	65.90	1.6	142.21	4.0	175.34	3.5	308.80	7.2	567.57	3.0	842.18	5.1	586.09	3.0	864.86	5.0
38.32	1.2	52.00	1.8	10.78	0.3	46.18	1.3	44.39	0.9	105.87	2.5	144.59	0.8	274.64	1.7	151.42	0.8	281.07	1.6
6.08	0.2	8.71	0.3	2.84	0.1	8.63	0.2	22.09	0.4	29.92	0.7	58.87	0.3	63.81	0.4	58.96	0.3	64.30	0.4
3.65	0.1	23.51	0.8	4.12	0.1	0.26	0.0	15.30	0.3	16.84	0.4	28.36	0.1	44.02	0.3	29.31	0.1	45.18	0.3
80.74	2.4	124.86	4.3	58.54	1.4	87.67	2.5	124.30	2.5	189.41	4.4	397.64	2.1	546.75	3.3	410.37	2.1	563.97	3.3
84.42	5.7	101.49	6.8	64.47	3.7	100.49	6.4	235.55	9.4	283.94	12.5	555.78	7.0	631.28	8.7	581.67	7.1	658.06	8.7
24.14	1.6	34.90	2.4	15.52	0.9	14.10	0.9	20.95	0.8	13.79	0.6	127.08	1.6	120.87	1.7	140.03	1.7	130.99	1.7
301.14	20.5	254.38	17.1	330.36	18.9	293.17	18.6	413.93	16.5	342.25	15.1	1,540.48	19.4	1,323.62	18.2	1,612.77	19.6	1,384.42	18.4
45.61	3.1	40.50	2.7	80.68	4.6	71.78	4.6	91.75	3.6	83.73	3.7	262.98	3.3	239.26	3.3	273.32	3.3	249.01	3.3
33.91	2.3	23.29	1.6	41.22	2.4	27.43	1.7	73.78	2.9	39.56	1.7	201.26	2.5	127.10	1.8	206.70	2.5	130.75	1.7
5.80	0.4	5.87	0.4	8.52	0.5	6.30	0.4	8.17	0.3	9.95	0.4	28.39	0.4	27.89	0.4	29.27	0.4	28.30	0.4
495.01	33.7	460.43	31.0	540.77	30.9	513.27	32.6	844.13	33.6	773.23	34.1	2,715.97	34.2	2,470.04	34.0	2,843.77	34.5	2,581.53	34.3
1,308.28	89.0	1,086.45	73.2	1,596.33	91.3	1,383.37	87.7	2,080.87	82.7	1,820.62	80.4	7,329.25	92.4	6,399.77	88.2	7,588.23	92.1	6,635.40	88.1
584.60	39.8	506.64	34.1	697.82	39.9	612.98	38.9	834.26	33.2	731.08	32.3	3,323.88	41.9	2,949.52	40.6	3,454.86	42.0	3,068.54	40.7
723.68	49.2	579.81	39.1	898.51	51.4	770.39	48.9	1,246.61	49.6	1,089.54	48.1	4,005.36	50.5	3,450.25	47.5	4,133.37	50.2	3,566.85	47.4
740.48	50.4	593.32	40.0	908.36	52.0	782.71	49.6	1,268.80	50.5	1,110.66	49.0	4,070.81	51.3	3,513.51	48.4	4,207.63	51.1	3,639.73	48.3
111.69	7.6	92.03	6.2	138.78	7.9	122.21	7.8	198.54	7.9	179.75	7.9	514.43	6.5	451.69	6.2	527.56	6.4	463.63	6.2
123.49	8.4	338.91	22.8	160.24	9.2	158.42	10.0	203.47	8.1	202.12	8.9	628.77	7.9	822.70	11.3	655.74	8.0	847.12	11.2
1,470.67	100.0	1,484.69	100.0	1,748.15	100.0	1,576.61	100.0	2,514.95	100.0	2,265.76	100.0	7,929.98	100.0	7,257.94	100.0	8,234.70	100.0	7,532.01	100.0
17.43	1.2	11.96	0.8	8.66	0.5	7.92	0.5	10.17	0.4	18.71	0.8	69.86	0.9	67.69	0.9	81.87	1.0	77.59	1.0
2.51	0.2	5.68	0.4	1.35	0.1	0.24	0.0	1.49	0.1	0.94	0.0	19.89	0.3	17.84	0.2	25.94	0.3	24.66	0.3
143.99	9.8	124.22	8.4	159.17	9.1	138.49	8.8	215.14	8.6	195.27	8.6	720.95	9.1	654.87	9.0	766.50	9.3	693.52	9.2
39.28	2.7	38.08	2.6	57.68	3.3	49.92	3.2	64.50	2.6	62.20	2.7	248.91	3.1	228.69	3.2	257.67	3.1	236.26	3.1
13.26	0.9	23.15	1.6	29.48	1.7	54.06	3.4	46.90	1.9	68.30	3.0	116.86	1.5	178.60	2.5	121.50	1.5	182.10	2.4
46.99	3.2	38.94	2.6	53.17	3.0	47.94	3.0	37.67	1.5	26.59	1.2	193.76	2.4	164.65	2.3	211.28	2.6	179.75	2.4
117.05	8.0	98.56	6.6	188.34	10.8	156.44	9.9	266.53	10.6	235.17	10.4	885.58	11.2	743.03	10.2	904.43	11.0	758.27	10.1
380.53	25.9	340.58	22.9	497.86	28.5	455.01	28.9	642.41	25.5	607.18	26.8	2,255.80	28.4	2,055.38	28.3	2,369.18	28.8	2,152.19	28.6
34.23	2.3	26.85	1.8	124.21	7.1	112.48	7.1	149.30	5.9	108.24	4.8	503.70	6.4	371.34	5.1	512.26	6.2	378.14	5.0
255.88	17.4	205.21	13.8	419.57	24.0	353.10	22.4	349.05	13.9	259.47	11.5	1,249.45	15.8	1,025.96	14.1	1,295.30	15.7	1,067.70	14.2
290.11	19.7	232.06	15.6	543.78	31.1	465.57	29.5	498.35	19.8	367.71	16.2	1,753.15	22.1	1,397.30	19.3	1,807.56	22.0	1,445.84	19.2
302.87	20.6	244.14	16.4	472.74	27.0	401.03	25.4	386.73	15.4	286.07	12.6	1,443.21	5.6	1,190.62	2.6	1,506.58	6.2	1,247.49	3.3
16.10	1.1	16.31	1.1	29.55	1.7	25.22	1.6	48.32	1.9	34.07	1.5	132.64	1.7	109.99	1.5	134.51	1.6	111.06	1.5
77.58	5.3	87.72	5.9	96.43	5.5	87.96	5.6	159.10	6.3	142.36	6.3	491.03	6.2	445.02	6.1	496.94	6.0	450.54	6.0
764.32	52.0	676.67	45.6	1,167.62	66.8	1,033.76	65.6	1,348.18	53.6	1,151.33	50.8	4,632.62	58.4	4,007.68	55.2	4,808.19	58.4	4,159.62	55.2
706.36	48.0	808.02	54.4	580.53	33.2	542.84	34.4	1,166.77	46.4	1,114.44	49.2	3,297.36	41.6	3,250.25	44.8	3,426.51	41.6	3,372.39	44.8
996.47	67.8	1,040.07	2.7	1,124.31	7.1	1,008.42	0.5	1,665.12	26.4	1,482.14	21.3	5,050.51	0.6	4,647.55	8.9	5,234.07	2.8	4,818.23	10.9
1,470.67	100.0	1,484.69	100.0	1,748.15	100.0	1,576.61	100.0	2,514.95	100.0	2,265.76	100.0	7,929.98	100.0	7,257.94	100.0	8,234.70	100.0	7,532.01	100.0

251 Through 500 Miles		501 Through 750 Miles		751 Miles & Over		Over $10,000,000		Over $5,000,000	
1979	1978	1979	1978	1979	1978	1979	1978	1979	1978
4.68	3.61	6.96	6.59	4.29	3.87	5.76	5.11	5.77	5.13
3.32	2.80	3.59	3.55	3.00	2.91	3.76	3.57	3.78	3.59
4.56	5.03	4.49	4.64	4.01	3.96	4.74	4.81	4.78	4.85
2.52	2.68	2.53	2.59	2.40	2.37	2.59	2.59	2.61	2.61
3.65	5.56	1.63	3.98	3.51	7.16	2.99	5.07	2.96	5.00
12.10	15.57	5.86	14.10	10.53	20.83	11.24	18.12	11.20	17.95
2.44	4.28	1.45	2.45	2.49	4.39	2.10	3.29	2.08	3.26
11.43	15.45	10.08	16.15	10.65	17.00	12.06	16.82	11.98	16.72
16.27	24.94	12.22	21.73	12.86	25.33	15.44	24.35	15.44	24.22
96.87	94.80	98.56	96.11	97.09	93.28	97.25	95.04	97.29	95.12
95.87	94.01	97.15	94.96	96.28	92.63	96.37	94.33	96.40	94.40
52.43	46.28	144.24	127.72	217.46	187.55	78.75	68.86	55.54	48.58
1.28	1.98	2.09	3.13	5.40	8.24	1.65	2.27	1.15	1.58
198.02	205.60	202.40	221.24	338.05	378.03	1,065.52	1,140.06	1,100.35	1,177.46
114.48	119.85	42.91	58.26	201.73	166.06	460.17	414.65	474.59	429.34
1.30	1.35	1.09	1.13	1.31	1.27	1.20	1.20	1.20	1.20
13.61	16.46	4.13	6.47	15.93	15.82	9.48	10.00	9.38	9.93
33.27	31.85	29.86	29.92	30.21	28.96	29.63	29.11	29.77	29.22
0.43	0.30	0.81	0.74	0.33	0.26	0.44	0.37	0.44	0.37
0.20	0.11	0.65	0.54	0.13	0.08	0.24	0.19	0.24	0.19
0.51	0.34	1.07	0.95	0.40	0.31	0.52	0.43	0.52	0.43
421.37	528.02	380.65	461.53	897.28	1,421.48	549.92	692.40	520.81	654.91
65.38	84.21	42.81	55.17	87.41	132.15	73.83	95.75	73.04	94.39
10.89	9.33	12.03	10.23	10.58	9.84	11.60	9.97	11.59	9.97
1.02	0.72	1.55	1.42	1.07	0.98	1.21	1.06	1.21	1.06
2.06	1.96	2.06	2.11	1.91	1.74	2.08	1.97	2.04	1.93
2.44	2.45	2.73	2.61	5.49	6.60	3.29	3.48	3.13	3.31
1.05	0.73	1.56	1.44	1.09	1.00	1.23	1.08	1.23	1.08
11.30	15.44	9.72	16.15	10.64	17.04	11.90	16.84	11.82	16.73
4.46	4.91	4.45	4.57	3.94	3.88	4.66	4.72	4.70	4.75
40.55	41.89	39.85	40.98	41.06	41.71	41.17	42.12	40.95	41.89
52.58	52.49	53.34	53.03	47.96	47.67	51.32	51.24	51.44	51.38
7.98	8.42	8.01	8.16	9.63	9.71	8.61	8.81	8.51	8.71
40.23	37.59	46.08	43.80	45.09	42.69	41.86	39.58	41.73	39.50
16.97	15.42	13.13	11.60	11.85	10.70	14.78	13.34	14.92	13.44
12.63	12.74	14.19	14.43	15.40	15.39	13.64	13.73	13.52	13.60
53,305.59	56,906.74	48,249.48	48,552.46	37,610.05	37,175.59	201,598.51	206,646.63	218,079.11	223,330.20
6,489,157.92	1,435,895.20	2,091,044.74	2,065,290.58	2,703,295.00	2,570,130.71	7,385,107.73	7,168,106.92	7,672,743.47	7,470,353.04

and revenues increased 14.6% for those carriers with ALOH under 250 miles; tonnage dropped 6.3% and revenue increased 13.3% for those carriers with ALOH between 251 and 500 miles; tonnage dropped 0.6% and revenues increased 12.9% for those carriers with ALOH between 501 and 750 miles; and tonnage increased 1.2% and revenues increased 15.9% for those carriers with ALOH over 750 miles. All ALOH categories reported increased use of purchased transportation which was 9.9% of revenue for the Group C-2 carriers overall. Those carriers with ALOH over 750 miles continued to use the least amount of non-owned equipment with purchased transportation amounting to only 6.9% of their gross revenues.

For Group C-2 overall, operating expenses rose 16.8% and the operating ratio deteriorated to 96.4% in 1979, up 2.0 points from 1978, only slightly better than the industry composite operating ratio of 96.4% in 1979. The best operating ratio among the various ALOH categories for Group C-2 carriers was posted by the 251-500 miles ALOH carriers with 95.9%, and the worst deterioration in year to year comparisons occurred in the over 750 miles ALOH carriers whose operating ratio increased 3.7 points from 92.6% in 1978 to 96.3% in 1979. The 501-750 mile ALOH group continued as the least efficient Group of C-2 carriers with a 1979 operating ratio of 97.2%.

Group C-2 overall suffered a $149.1 million, or 27.3%, decrease in net income after tax with a total net income in 1979 of $397.64 million. Total net income as a percent of revenue dropped from 3.3% in 1978 to 2.1% in 1979, the same as the industry composite. Within the various ALOH categories, the over 750 miles ALOH carriers earned 2.5% of revenue, the 251-500 miles ALOH carriers earned 2.4%, the under 250 miles ALOH carriers earned 2.0%, and the 501-750 miles ALOH earned 1.4%. Return on equity for Group C-2 overall was off sharply from 16.8% in 1978 to 12.1% in 1979. The under 250 miles ALOH carriers reported the best return on equity at 15.9%, and the 501-750 miles ALOH reported the poorest return on equity at 10.1%, versus the industry composite of 12.0%.

Liquidity

Group C-2 maintained satisfactory liquidity and compared favorably with the industry composite in 1979. Although net income and cash throw decreased, working capital increased by 11.0% and the current ratio was maintained at 1.20 to 1. Days' cash operating expenses in working capital decreased by .52 days to 9.48 days and the average days' collection period increased by .52 days to 29.63 days. The 501-750 miles ALOH carriers continued to be the least liquid with a current ratio of 1.09 to 1 and 4.13 days' cash operating expenses in working capital, followed by the under 250 miles ALOH carriers with a current ratio of 1.14 to 1 and 5.93 days' cash operating expenses in working capital.

Leverage and Debt Service

The Group C-2 carriers overall increased net operating plant by 16.1% to $4.0 billion in 1979. At year end, this property was 45.4% depreciated and only slightly newer than the industry composite net operating property. In 1979, Group C carriers increased total funded debt by 15.3% to support growth and, with a decrease in earnings, leverage increased accordingly. Total funded debt to tangible net worth increased from .43 to 1 in 1978 to .52 to 1 in 1979, almost the same as the composite ratio. The 501-750 miles ALOH Carriers were the most highly leveraged with a total funded debt to tangible net worth ratio of 1.07 to 1, more than twice the industry composite.

With lower earnings and cash throw and higher leverage, the Group C-2 carriers' ability to service debt decreased noticeably but remained satisfactory at year end 1979. For the entire Group C-2 carriers, cash throw to funded debt due in one year decreased from 692.4% to 549.9% and cash throw to total funded debt decreased from 95.8% to 73.8%; these coverages exceeded the industry composite ratios for 1979. Within the various ALOH categories, the longest haul carriers (over 750 miles ALOH) had the lowest leverage and the highest debt service coverage ratios and the 501-750 mile ALOH carriers had the highest leverage and lowest debt service coverage ratios.

In summary, in 1979 the Group C-2 carriers' leverage increased noticeably, liquidity and debt service capacity decreased slightly but remained satisfactory for the group as a whole. The 501-750 miles ALOH group of carriers, given its poor operating performance, inadequate liquidity, and high financial leverage should be closely followed.

Carrier Group D

The motor carriers included in Group D are specialized commodity carriers with annual gross revenues over $1.0 million. This group includes Class I and some Class II Carriers with data for 1979 and 1978 presented for the same 1329 special commodity carriers to ensure comparability.

The ICC classifies all motor freight into seventeen commodity specific divisions. The first division is comprised of general freight carriers, reviewed in the preceding sections of this Financial Analysis (Groups A, B and C). Of the remaining sixteen divisions, seven are reviewed individually here and the rest are combined into a single division named Other Special Commodities.

Special commodity carriers differ from general freight carriers in several ways. While general freight carriers typically require terminal facilities and operations, special commodity carriers tend to have fewer shippers and shipments move in truckload quantities directly from origin to destination. With reduced terminal operations and related expenses, the special commodity carriers have lower pick-up, delivery, and platform expenses with the result that line haul expenses account for a larger proportion of gross revenues. In addition, special commodity carriers may engage independent owner-operators to move the freight which can result in higher levels of purchased transportation expense as a percentage of gross revenues.

Operating Performance

Gross revenues increased 16.6% to $12.5 billion for Carrier Group D overall in 1979. While intercity mileage increased 2.2%, total tonnage declined 1.7%. Total operating expenses increased by 17.4% and the operating ratio deteriorated to 96.1%. With higher interest expense, net after tax income declined 8.2% to $286.88 million. Purchased transportation expense increased to 36.6% of revenue as Carrier Group D continued to expand its utilization of independent contractors in an increasingly difficult economic and operating environment in 1979. With increased operating and capital expenses, Group D carriers' return on equity declined from 17.4% in 1978 to 14.3% in 1979; by using increased purchased transportation, the return on transportation investment declined somewhat less from 20.9% in 1978 to 18.4% in 1979.

Liquidity

Lower earnings reduced liquidity for Group D overall as the current ratio dropped from 1.18 to 1.15 and the days' cash operating expenses in working capital declined from 10.27 to 8.77 days. Due to a 19.3% increase in depreciation, cash throw increased 6.3% in dollars, and liquidity, although slight reduced, remained adequate. The Group D Carriers added $352.47 million in net operating property in 1979, a 17.3% increase. At year end, this property was 46.6% depreciated, only slightly older than the general freight composite net operating property account.

Leverage and Debt Service

Funded debt increased by 30.7% and stockholders' equity increased by 11.9% with the result that leverage (measured by funded debt to tangible net worth), which historically has been noticeably higher for the special commodity carriers, increased from .74 to 1 in 1978 to .80 to 1 in 1979. Cash throw to funded debt due in one year declined from 243.4% to 215.2% and cash throw to total funded debt declined from 59.3% to 51.8%. Although leverage increased and coverage ratios declined noticeably for Group D carriers overall, ability to service debt remained adequate at year end 1979.

Household Goods

The 124 carriers in this class provide transportation for household goods, office property, electronic and other specialized business equipment.

With a 3.6% increase in intercity mileage and a 5.7% increase in tonnage, revenues for these moving companies increased by 23.4% to $1.6 billion. Operating expenses increased by 22% and the operating ratio improved from 99.4% in 1978 to 98.3% in 1979. Purchased transportation accounted for 49.5% of gross revenues (up from 49.2% in 1978) and reflects the ample use of owner-operators in this carrier group. Net income increased from 2.0% of revenue in 1978 to 2.4% in 1979 and the group's return on equity improved from 11.2% to 14.5% in 1979.

With significantly increased revenues, the household goods carriers' liquidity decreased noticeably as the current ratio dropped from 1.21 to 1.09 and days' cash operating expenses in working capital dropped from 16.51 days to 8.61 days. Because these carriers use owner-operators, they require a lower investment in net operating property (at 20.3% of total assets versus 49.4% for the general freight composite), but reflect a much higher investment in accounts receivable (37.0% of total assets versus 19.8% for the general freight composite). In addition, these carriers move a significant amount of U.S. government property which is generally slow to pay its freight bills. As a consequence, the household goods carriers reflect a 64.8 average days' collection period which is more than twice the general freight composite average of 30.3 days.

With lower capital requirements for less operating property, these carriers had a modest funded debt to tangible net worth ratio of .29 to 1, adequate cash throw coverage to funded debt due in one year of 272.2%, and cash throw to total funded debt of 70.91%.

Heavy Machinery

These 58 carriers transport heavy machinery and industrial equipment and

Carrier Group D

BEST AVAI

Commodity Classification	Household Goods		Heavy Machinery		Petroleum Products		Refrigerated Products	
Number of Carriers	124		58		135		110	
Year	1979	1978	1979	1978	1979	1978	1979	1978
Income Statement	$ %	$ %	$ %	$ %	$ %	$ %	$ %	$ %
Income & Expense Data								
Gross Revenues	1,624.67 100.0	1,316.40 100.0	713.19 100.0	585.64 100.0	1,423.78 100.0	1,220.58 100.0	1,214.79 100.0	1,067.85 100.0
Depreciation	18.93 1.2	16.35 1.2	14.37 2.0	12.32 2.1	70.40 4.9	61.74 5.1	36.86 3.0	31.12 2.9
Purchased Transportation	804.68 49.5	647.33 49.2	385.30 54.0	298.87 51.0	340.83 23.9	274.36 22.5	683.68 56.3	599.31 56.1
Total Operating Expenses	1,597.14 98.3	1,308.84 99.4	667.90 93.6	544.49 93.0	1,348.88 94.7	1,160.78 95.1	1,167.48 96.1	1,024.87 96.0
Net Carrier Operating Income	27.53 1.7	7.56 0.6	45.30 6.4	41.16 7.0	74.90 5.3	59.80 4.9	47.32 3.9	42.98 4.0
Interest Expense	14.82 0.9	9.65 0.7	5.46 0.8	4.06 0.7	26.67 1.9	18.03 1.5	15.05 1.2	10.43 1.0
Net Income Before Taxes	57.00 3.5	41.26 3.1	40.35 5.7	38.25 6.5	55.63 3.9	47.09 3.9	35.91 3.0	33.86 3.2
Income Taxes–Current	22.26 1.4	14.23 1.1	15.85 2.2	16.77 2.9	13.28 0.9	10.60 0.9	11.97 1.0	1.72 1.1
Deferred Income Taxes	0.95 0.1	2.04 0.2	1.13 0.2	0.03 0.0	2.11 0.1	3.17 0.3	1.02 0.1	0.22 0.0
Equity in Earnings of Affil	3.82 0.2	1.57 0.1	0.01 0.0	0.12 0.0	2.20 0.2	1.03 0.1	0.85 0.1	1.16 0.1
Net Income After Taxes	39.40 2.4	26.63 2.0	23.37 3.3	21.54 3.7	42.65 3.0	36.17 3.0	23.82 2.0	23.66 2.2
Balance Sheet								
Assets								
Cash	15.89 2.0	32.82 5.3	16.65 6.7	15.72 7.7	61.65 8.8	52.55 8.5	24.53 5.6	23.86 6.3
Receivables from Affiliates	108.93 14.0	49.71 8.1	3.86 1.6	3.54 1.7	25.94 3.7	19.17 3.1	17.33 4.0	14.59 3.9
Notes & Accounts Receivable	288.28 37.0	223.96 36.4	80.98 32.7	66.53 32.8	124.77 17.8	108.20 17.4	94.97 21.9	78.58 20.8
Prepaid Expenses	17.38 2.2	13.31 2.2	7.96 3.2	6.48 3.2	18.89 2.7	17.36 2.8	13.09 3.0	10.37 2.7
Materials & Supplies	6.66 0.9	5.83 0.9	3.94 1.6	2.96 1.5	19.32 2.8	14.21 2.3	7.88 1.8	5.12 1.4
Other Current Assets	11.76 1.5	17.26 2.8	0.54 0.2	0.41 0.2	1.33 0.2	1.22 0.2	1.18 0.3	1.17 0.3
Total Current Assets	448.91 57.6	342.89 55.7	113.92 46.0	95.65 47.1	251.91 36.0	212.72 34.3	158.97 36.6	133.69 35.4
Carrier Operating Property	278.36 35.7	245.80 40.0	182.91 73.9	160.18 78.9	701.11 100.2	641.63 103.4	323.34 74.4	284.67 75.4
Reserve for Depreciation	120.20 15.4	105.35 17.1	93.02 37.6	84.16 41.5	342.95 49.0	317.42 51.1	135.46 31.2	121.89 32.3
Carrier Operating Property Net	158.16 20.3	140.45 22.8	89.89 36.3	76.02 37.5	358.16 51.2	324.21 52.2	187.88 43.3	162.79 43.1
Total Tangible Property	198.96 25.5	177.83 28.9	91.76 37.1	77.57 38.2	361.78 51.7	327.70 52.8	192.56 44.3	166.34 44.1
Intangibles	9.67 1.2	8.57 1.4	29.28 11.8	21.06 10.4	19.87 2.8	19.15 3.1	19.59 4.5	18.29 4.8
Other Assets	121.74 15.6	85.78 13.9	12.54 5.1	8.67 4.3	66.15 9.5	61.08 9.8	63.24 14.6	59.11 15.7
Total Assets	779.28 100.0	615.06 100.0	247.50 100.0	202.95 100.0	699.71 100.0	620.64 100.0	434.36 100.0	377.44 100.0
Liabilities & Equity								
Payables to Affiliates	136.64 17.5	67.41 11.0	3.35 1.4	4.19 2.1	12.81 1.8	14.10 2.3	16.34 3.8	6.92 1.8
Notes Payable	16.44 2.1	13.18 2.1	5.69 2.3	3.28 1.6	9.49 1.4	8.51 1.4	8.56 2.0	5.66 1.5
Accounts Payable	159.24 20.4	126.26 20.5	32.85 13.3	24.71 12.2	66.28 9.5	62.15 10.0	50.77 11.7	44.00 11.7
Misc Payables & Accruals	8.00 1.0	5.65 0.9	3.35 1.4	2.53 1.2	14.43 2.1	12.42 2.0	4.29 1.0	4.74 1.3
Taxes Payable	16.15 2.1	9.88 1.6	3.60 1.5	6.28 3.1	10.81 1.5	9.33 1.5	11.93 2.7	11.33 3.0
Funded Debt Due Within One Year	19.67 2.5	15.32 2.5	9.05 3.7	7.53 3.7	49.13 7.0	44.37 7.1	28.13 6.5	25.46 6.7
Other Current Liabilities	55.49 7.1	46.39 7.5	13.56 5.5	11.05 5.4	26.65 3.8	22.51 3.6	17.30 4.0	13.10 3.5
Total Current Liabilities	411.64 52.8	284.09 46.2	71.45 28.9	59.59 29.4	189.60 27.1	173.40 27.9	137.31 31.6	111.22 29.5
Advances Payable	19.65 2.5	17.70 2.9	3.36 1.4	5.97 2.9	10.45 1.5	9.43 1.5	19.85 4.6	23.34 6.2
Funded Debt Due After One Year	55.85 7.2	50.65 8.2	33.62 13.6	25.41 12.5	178.47 25.5	152.01 24.5	98.05 22.6	86.43 22.9
Total Long Term Debt	75.50 9.7	68.35 11.1	36.97 14.9	31.38 15.5	188.92 27.0	161.44 26.0	117.90 27.1	109.77 29.1
Total Funded Debt	75.53 9.7	65.97 10.7	42.66 17.2	32.95 16.2	227.60 32.5	196.38 31.6	126.18 29.1	111.89 29.6
Reserves & Est Liabilities	9.16 1.2	14.65 2.4	3.70 1.5	3.96 2.0	5.59 0.8	5.73 0.9	9.98 2.3	10.81 2.9
Accum Deferred Tax Credits	11.43 1.5	9.95 1.6	6.06 2.4	4.80 2.4	31.15 4.5	29.02 4.7	6.68 1.5	4.81 1.3
Total Liabilities	507.72 65.2	377.04 61.3	118.18 47.8	99.72 49.1	415.26 59.3	369.59 59.6	271.87 62.6	236.61 62.7
Stockholder's Equity	271.56 34.8	238.02 38.7	129.31 52.2	103.23 50.9	284.45 40.7	251.05 40.5	162.49 37.4	140.84 37.3
Total Capital	347.06 44.5	306.37 49.8	166.29 67.2	134.61 66.3	473.37 67.7	412.49 66.5	280.39 64.6	250.60 66.4
Total Liabilities & Equity	779.28 100.0	615.06 100.0	247.50 100.0	202.95 100.0	699.71 100.0	620.64 100.0	434.36 100.0	377.44 100.0

Analytical Data	Household Goods		Heavy Machinery		Petroleum Products		Refrigerated Products	
	1979	1978	1979	1978	1979	1978	1979	1978
Operating Performance								
Gross Revenues to Equity	5.98	5.53	5.52	5.67	5.01	4.86	7.48	7.58
Gross Revenues to Total Capital	4.68	4.30	4.29	4.35	3.01	2.96	4.33	4.26
Gross Revenues to Net Carr Oper Prop	10.27	9.37	7.93	7.70	3.98	3.76	6.47	6.56
Gross Revenues to Carr Oper Prop (Cost)	5.84	5.36	3.90	3.66	2.03	1.90	3.76	3.75
Pre-Tax Income to Gross Revenues, %	3.51	3.13	5.66	6.53	3.91	3.86	2.96	3.17
Pre-Tax Income to Total Capital, %	16.42	13.47	24.26	28.41	11.75	11.42	12.81	13.51
After Tax Income to Gross Revenues, %	2.42	2.02	3.28	3.68	3.00	2.96	1.96	2.22
After Tax Income to Equity, %	14.51	11.19	18.07	20.87	14.99	14.41	14.66	16.80
Return on Transportation Investment, %	14.09	3.80	34.22	36.72	17.81	16.45	22.58	23.20
Expense Ratio, %	99.22	100.16	94.41	93.67	96.61	96.58	97.34	96.95
Operating Ratio, %	98.31	99.43	93.65	92.97	94.74	95.10	96.11	95.97
Average Revenue Per Carrier	13.10	10.62	12.30	10.10	10.55	9.04	11.04	9.71
Net Income Per Carrier	0.32	0.21	0.40	0.37	0.32	0.27	0.22	0.22
Liquidity								
Cash Throw Off, Dollars	53.55	43.44	38.85	33.71	112.96	100.05	60.86	53.39
Working Capital, Dollars	37.27	58.80	42.47	36.06	62.30	39.32	21.66	22.47
Current Ratio	1.09	1.21	1.59	1.61	1.33	1.23	1.16	1.20
Days Cash Oper Exp In Work Cap	8.61	16.59	23.66	24.67	17.60	12.94	6.95	8.21
Average Days Collection Period	64.77	62.10	41.44	41.47	31.99	32.36	28.54	26.86
Leverage & Debt Service								
Funded Debt to Equity	0.28	0.28	0.33	0.32	0.80	0.78	0.78	0.79
Net Debt to Equity	0.07	0.03	0.07	0.10	0.41	0.45	0.47	0.45
Funded Debt to Tangible Net Worth	0.29	0.29	0.43	0.40	0.86	0.85	0.88	0.91
Cash Throw to Funded Debt Due in One Year, %	272.20	283.62	429.47	447.45	229.92	225.50	216.34	209.67
Cash Throw to Total Funded Debt, %	70.91	65.85	91.07	102.32	49.63	50.95	48.23	47.71
Interest to Total Funded Debt, %	19.62	14.63	12.80	12.32	11.72	9.18	11.93	9.32
Carrier Property (Net) to Equity	0.58	0.59	0.70	0.74	1.26	1.29	1.16	1.16
Additional Ratios								
Receivables to Payables	1.64	1.61	2.10	2.38	1.65	1.53	1.60	1.58
Deprec to Debt Due in One Year	0.96	1.07	1.59	1.64	1.43	1.39	1.31	1.22
Total Tang Prop to Equity	0.73	0.75	0.71	0.75	1.27	1.31	1.19	1.18
Income Before Extra Items Etc to Equity, %	14.55	11.16	18.07	20.95	14.92	13.68	14.63	16.70
Gross Revenues to Total Tang Prop	8.17	7.40	7.77	7.55	3.94	3.72	6.31	6.42
Productivity Measures (Int-Cty Carr Only)								
Total Payroll to Revenues, %	15.50	16.74	9.32	10.05	27.13	29.02	12.01	12.29
Total Payroll (WPT) to Revenues, %	75.93	76.02	66.84	64.65	51.62	52.01	66.90	67.97
Cargo Handler Compen to Revenues, %	13.68	14.04	0.09	0.09	0.01	0.01	0.60	0.64
Linehaul Expenses to Revenues, %	69.70	69.30	80.30	78.61	83.28	82.95	81.86	81.50
Revenue Per Ton Mile, Cents	35.55	33.04	8.84	7.81	8.78	7.46	5.63	5.08
Average Load, Tons	5.21	4.85	12.94	12.92	13.14	13.64	17.13	16.78
Total Tons, Thous	2,487.42	2,352.18	9,838.73	9,475.46	125,476.48	136,545.26	16,068.38	16,074.96
Total Miles, Thous	472,917.40	456,270.27	496,286.67	464,095.52	994,052.84	980,621.39	842,622.64	841,878.36

Dollar Amounts in Millions

LABLE COPY

Agricultural Products 89				Motor Vehicles 38				Building Materials 109				Other Special Commodities 666				Total Special Commodities 1329			
1979		1978		1979		1978		1979		1978		1979		1978		1979		1978	
$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%	$	%
412 47	100 0	332 71	100 0	1 280 86	100 0	1 226 64	100 0	843 76	100 0	702 56	100 0	4 948 42	100 0	4 231 09	100 0	12 461 95	100 0	10 683 48	100 0
23 60	5 7	16 97	5 1	65 48	5 1	56 18	4 6	36 32	4 3	29 67	4 2	194 79	3 9	161 75	3 8	460 75	3 7	386 09	3 6
106 83	25 9	88 44	26 6	140 28	11 0	131 08	10 7	318 40	37 7	265 70	37 8	1 786 94	36 1	1 510 19	35 7	4 566 93	36 6	3 815 28	35 7
391 59	94 9	317 28	95 4	1 270 77	99 2	1 171 71	95 5	805 09	95 4	664 97	94 6	4 722 81	95 4	4 007 67	94 7	11 971 67	96 1	10 200 60	95 5
20 88	5 1	15 43	4 6	10 09	0 8	54 94	4 5	38 66	4 6	37 59	5 4	225 61	4 6	223 42	5 3	490 28	3 9	482 88	4 5
7 16	1 7	4 78	1 4	17 61	1 4	11 61	0 9	16 12	1 9	10 72	1 5	70 24	1 4	47 55	1 1	173 13	1 4	116 82	1 1
10 83	2 6	10 63	3 2	5 57	0 4	47 68	3 9	28 83	3 4	30 20	4 3	189 16	3 8	197 44	4 7	412 14	3 3	446 40	4 2
1 88	0 5	1 52	0 5	1 74	0 1	10 45	0 9	5 84	0 7	8 16	1 2	52 34	1 1	54 88	1 3	121 68	1 0	128 33	1 2
0 24	0 1	0 30	0 1	0 04	0 0	2 60	0 2	1 40	0 2	1 29	0 2	10 38	0 2	9 49	0 2	14 71	0 1	18 63	0 2
0 03	0 0	0 16	0 0	0 33	0 0	2 33	0 2	0 96	0 1	0 62	0 1	3 43	0 1	3 82	0 1	11 56	0 1	10 82	0 1
9 21	2 2	9 02	2 7	3 63	0 3	36 99	3 0	22 64	2 7	21 48	3 1	129 43	2 6	137 08	3 2	286 88	2 3	312 56	2 9
10 82	5 7	9 43	6 8	25 68	5 0	22 47	4 6	24 86	6 6	23 75	7 6	185 95	9 1	168 45	9 5	366 01	6 9	349 05	7 7
3 67	1 9	2 07	1 5	22 36	4 3	20 07	4 1	15 27	4 1	10 17	3 2	73 36	3 6	66 63	3 8	270 71	5 1	185 95	4 1
31 76	16 7	24 50	17 7	78 03	15 2	88 88	18 0	61 96	16 5	50 79	16 2	429 40	21 0	365 41	20 6	1 190 17	22 5	1 006 86	22 2
6 63	3 5	5 31	3 8	11 97	2 3	12 60	2 6	12 47	3 3	9 70	3 1	66 54	3 3	61 47	3 5	155 04	2 9	136 60	3 0
4 67	2 5	3 20	2 3	11 84	2 3	9 53	1 9	9 36	2 5	6 36	2 0	41 20	2 0	28 84	1 6	104 86	2 0	76 05	1 7
0 82	0 4	0 84	0 6	0 59	0 1	0 21	0 0	1 10	0 3	0 97	0 3	10 39	0 5	14 37	0 8	27 71	0 5	36 44	0 8
58 37	30 7	45 34	32 8	150 48	29 3	153 76	31 2	125 02	33 3	101 74	32 5	806 94	39 5	705 17	39 7	2 114 51	40 0	1 790 95	39 5
197 26	103 8	146 75	106 2	636 76	123 8	565 11	114 6	336 59	89 6	284 25	90 8	1 809 78	88 6	1 547 82	87 2	4 466 10	84 6	3 876 27	85 5
80 92	42 6	65 62	47 5	308 08	59 9	267 17	54 2	151 26	40 3	131 49	42 0	849 32	41 6	750 72	42 3	2 081 22	39 4	1 843 81	40 7
116 33	61 2	81 13	58 7	328 67	63 9	297 94	60 4	185 33	49 3	152 77	48 8	960 46	47 0	797 10	44 9	2 384 88	45 2	2 032 41	44 8
120 81	63 6	84 80	61 3	331 90	64 6	301 35	61 1	205 07	54 6	170 04	54 3	999 47	49 0	841 78	47 4	2 502 31	47 4	2 147 40	47 3
5 70	2 7	4 06	2 9	6 21	1 2	5 87	1 2	17 06	4 5	13 20	4 2	87 95	4 3	82 32	4 6	194 83	3 7	172 52	3 8
5 57	2 9	4 03	2 9	25 56	5 0	32 33	6 6	28 47	7 6	28 17	9 0	147 1	7 2	145 61	8 2	470 49	8 9	24 78	9 4
189 95	100 0	138 22	100 0	514 15	100 0	493 30	100 0	375 63	100 0	313 14	100 0	2 041 57	100 0	1 774 89	100 0	5 282 14	100 0	4 535 65	100 0
4 82	2 5	2 77	2 0	29 90	5 8	16 18	3 3	5 92	1 6	3 43	1 1	61 01	3 0	48 77	2 7	270 78	5 1	163 78	3 6
6 41	3 4	5 11	3 7	3 93	0 8	2 92	0 6	7 85	2 1	6 67	2 1	42 88	2 1	34 49	1 9	101 24	1 9	79 81	1 8
21 29	11 2	14 63	10 6	58 24	11 3	56 95	11 5	42 09	11 2	34 65	11 1	226 23	11 1	207 36	11 7	656 98	12 4	570 72	12 6
2 65	1 4	1 69	1 2	11 16	2 2	11 67	2 4	5 47	1 5	5 60	1 8	8 72	1 9	37 68	2 1	88 06	1 7	81 97	1 8
2 46	1 3	1 78	1 3	1 49	0 3	5 48	1 1	5 91	1 6	6 89	2 2	36 12	1 8	41 13	2 3	88 47	1 7	92 11	2 0
22 69	11 9	16 11	11 7	27 67	5 4	27 96	5 7	40 92	10 9	31 12	9 9	151 63	7 4	122 37	6 9	348 90	6 6	290 24	6 4
2 38	1 3	1 65	1 2	64 04	12 5	53 17	10 8	14 31	3 8	11 79	3 8	88 04	4 3	75 15	4 2	281 77	5 3	234 82	5 2
62 69	33 0	43 73	31 6	196 43	38 2	174 33	35 3	122 46	32 6	100 15	32 0	644 62	31 6	566 95	31 9	1 836 20	34 8	1 513 46	33 4
1 15	0 6	1 06	0 8	27 63	5 4	34 02	6 9	12 10	3 2	6 73	2 2	30 33	1 5	26 48	1 5	124 50	2 4	124 73	2 8
58 87	31 0	34 57	25 0	89 93	17 5	74 92	15 2	105 14	28 0	85 15	27 2	482 08	23 6	391 74	22 1	1 102 00	20 9	900 88	19 9
30 01	31 6	35 63	25 8	117 55	22 9	108 93	22 1	117 23	31 2	91 88	29 3	512 41	25 1	418 22	23 6	1 276 50	23 2	1 025 61	22 6
81 56	42 9	50 68	36 7	117 60	22 9	102 87	20 9	146 05	38 9	116 27	37 1	633 72	31 0	514 12	29 0	1 450 90	8 5	1 191 12	4 2
0 68	0 4	1 05	0 8	1 42	0 3	4 35	0 9	4 09	1 1	4 14	1 3	21 46	1 1	21 22	1 2	56 07	1 1	65 90	1 5
2 69	1 4	2 68	1 9	27 54	5 4	25 00	5 1	11 24	3 0	10 43	3 3	61 60	3 0	52 10	2 9	158 40	3 0	138 79	3 1
126 08	66 4	83 09	60 1	342 95	66 7	312 61	63 4	255 02	67 9	206 59	66 0	1 240 09	60 7	1 058 50	59 6	3 277 17	62 0	2 743 75	60 5
63 87	33 6	55 13	39 9	171 20	33 3	180 69	36 6	120 60	32 1	106 55	34 0	801 48	39 3	716 39	40 4	2 004 96	38 0	1 791 90	39 5
123 88	65 2	80 77	65 7	288 75	56 2	289 62	58 7	237 84	63 3	198 43	63 4	1 313 89	15 4	1 134 62	7 6	3 231 46	4 4	2 817 51	18 0
189 95	100 0	138 22	100 0	514 15	100 0	493 30	100 0	375 63	100 0	313 14	100 0	2 041 57	100 0	1 774 89	100 0	5 282 14	100 0	4 535 65	100 0

Agricultural Products 1979	1978	Motor Vehicles 1979	1978	Building Materials 1979	1978	Other Special Commodities 1979	1978	Total Special Commodities 1979	1978
6 46	6 03	7 48	6 79	7 00	6 59	6 17	5 91	6 22	5 96
3 33	3 67	4 44	4 24	3 55	3 54	3 77	3 73	3 86	3 79
3 55	4 10	3 90	4 12	4 55	4 60	5 15	5 31	5 23	5 26
2 09	2 27	2 01	2 17	2 51	2 47	2 73	2 73	2 79	2 76
2 63	3 20	0 44	3 89	3 42	4 30	3 82	4 67	3 31	4 18
8 74	11 71	1 93	16 46	12 12	15 22	14 40	17 40	12 75	15 84
2 23	2 71	0 28	3 02	2 68	3 06	2 62	3 24	2 30	2 93
14 42	16 37	2 12	20 47	18 77	20 16	16 15	19 13	14 31	17 44
16 64	18 65	3 57	19 81	20 58	24 35	20 09	23 89	18 41	20 90
96 67	96 80	100 59	96 47	97 33	96 17	96 86	95 84	97 46	96 57
94 94	95 36	99 21	95 52	95 42	94 65	95 44	94 72	96 07	95 48
4 63	3 74	33 71	32 28	7 74	6 45	7 43	6 35	9 38	8 04
0 10	0 10	0 10	0 97	0 21	0 20	0 19	0 21	0 22	0 24
32 59	26 13	61 49	93 44	59 40	51 82	331 08	304 50	750 78	706 47
4 32	1 60	45 95	20 57	2 57	1 59	162 32	138 22	278 31	277 49
0 93	1 04	0 77	0 88	1 02	1 02	1 25	1 24	1 15	1 18
4 22	1 93	13 89	6 72	1 21	0 91	13 00	13 04	8 77	10 27
28 11	26 88	22 24	26 45	26 81	26 39	31 67	31 52	34 86	34 40
1 28	0 92	0 69	0 57	1 21	1 09	0 79	0 72	0 72	0 66
0 99	0 60	0 79	0 53	0 85	0 78	0 40	0 35	0 41	0 35
1 39	0 99	0 71	0 59	1 41	1 25	0 89	0 81	0 80	0 74
143 64	162 23	222 18	334 13	145 17	166 54	218 34	248 83	215 19	243 41
39 96	51 56	52 28	90 83	40 67	44 57	52 24	59 23	51 75	59 31
8 78	9 43	14 98	11 29	11 04	9 22	11 08	9 25	11 93	9 81
1 82	1 47	1 92	1 65	1 54	1 43	1 20	1 11	1 19	1 13
1 15	1 24	1 26	1 48	1 24	1 23	1 60	1 51	1 57	1 55
1 04	1 05	2 37	2 01	0 89	0 95	1 28	1 32	1 32	1 33
1 89	1 54	1 94	1 67	1 70	1 60	1 25	1 18	1 25	1 20
14 35	16 28	2 03	20 46	18 70	20 06	16 22	19 11	14 33	17 31
3 41	3 92	3 86	4 07	4 11	4 13	4 95	5 03	4 98	4 98
20 84	21 48	35 71	36 60	18 93	19 59	21 42	22 36	21 40	22 61
46 20	48 53	47 32	47 89	56 46	56 59	56 50	57 06	58 20	58 39
0 19	0 04	1 14	1 35	0 12	0 11	0 46	0 49	1 90	1 92
86 03	85 31	81 55	77 52	83 14	81 83	81 87	81 12	80 79	79 68
5 00	4 45	17 58	16 14	5 78	5 03	7 75	7 01	8 54	7 66
17 32	16 50	7 99	7 82	15 67	15 97	13 75	13 46	13 23	13 06
10,678 59	9,496 76	22,253 25	24,290 51	42,929 47	37,618 25	165,814 29	166,456 35	395,546 61	402,309 74
12,764 66	310,839 52	731,237 13	768,975 81	720,854 93	664,112 69	2,913,238 71	2,833,230 58	7,483,974 97	7,320,024 14

large equipment of unusual size and weight such as road building machinery, structural steel components, and oil field equipment. The operating performance of these carriers is directly related to capital expenditure decisions made by government and industry.

For this heavy hauler group, intercity mileage increased 6.9%, tonnage increased 3.8%, and revenues increased 21.8% to $713.2 million in 1979. Purchased transportation as a percent of revenues increased 3 points as total operating expenses increased by 22.7%. As a result there was a slight increase in the operating ratio to 93.7%; again, in 1979, this heavy hauler group had the lowest operating ratio of all of the special commodity carriers. While down slightly, return on equity was 18.1%, second only to the building materials carriers ROE of 18.8%. Return on transportation investment was an impressive 34.2%, highest of all the groups.

All liquidity measures remained excellent as working capital and cash throw increased 17.8% and 15.2% respectively. It is noteworthy that this carrier group sustained a 21.8% revenue increase in 1979, and even with their high utilization of owner-operators, was able to grow without reducing liquidity.

With a 17.8% increase in total funded debt and a 25.3% increase in stockholders' equity, leverage increased only slightly, with a funded debt to tangible net worth ratio of .43 to 1. Debt coverage was the best of all special commodity groups with cash throw to debt due in one year at 429.5% and cash throw to total funded debt of 91.1%. In summary, the heavy machinery carriers continued as the best in Carrier Group D in terms of operating efficiency, leverage, liquidity, and ability to service debt.

Petroleum Carriers

The group includes 135 carriers which transport road and crude oil, kerosene, gasoline, and other liquid motor fuels in bulk or barrels, as well as carriers which haul chemicals, coal tar, edible oils, and butane, propane, and other petroleum derivatives in bulk only.

For this group, although tonnage decreased 8.1%, intercity mileage increased 1.4% and revenues increased 16.6% to $1,424 million. Purchased transportation expense was 23.9% of revenue, a small increase over the previous year. The operating ratio improved slightly from 95.1% to 94.7%, and net income was maintained at 3% of revenue. With improved efficiency and asset utilization, return on equity and return on transportation investment increased to 15.0% and 17.8% respectively.

All measures of liquidity improved year-to-year for this group of carriers with a current ratio of 1.33 and 17.6 days' cash operating expenses in working capital, both in excess of the Group D average. The petroleum, chemical, and bulk carriers have historically had company owned equipment, which is specialized and more expensive. Consequently, net carrier operating property comprised 51.2% of total assets for these carriers, somewhat higher than 45.2% figure for all Group D carriers. Leverage is also higher, with a funded debt to tangible net worth ratio of .86 to 1. Coverage of debt service remained adequate with cash throw to funded debt due in one year at 229.9% and cash throw to total funded debt at 49.6%.

Given its specialized equipment requirements and higher investment and leverage characteristics, this carrier group had slightly improved operating results and liquidity, and maintained a satisfactory capacity to service its debt requirements. A more detailed and comprehensive analysis of the petroleum and chemical bulk haulers may be found in the most recent edition of "A Financial Analysis of the For-Hire Tank Truck Industry," published each year by the National Tank Truck Carriers Conference of the American Trucking Associations, Inc.

Refrigerated Products

This group consists of 110 carriers which transport solid and liquid perishable goods which require temperature-controlled trailers. Typical products include fruit juices, processed dairy products, fresh fish, meat, meat products, and vegetables.

Revenues for refrigerated products carriers increased 13.8% in 1979. Purchased transportation expense was 56.3% of revenue and continued at the highest level for all Group D carriers. The operating ratio increased slightly to 96.1% and net income declined modestly to 2.0% of revenue.

Net carrier operating property was up by 15.4% (in dollars) and accounted for 43.3% of total assets at year end. Liquidity dropped somewhat but remained adequate with a current ratio of 1.16 to 1. Total funded debt increased by only 2.4%, stockholders' equity increased by 15.4%, and leverage declined slightly but remained high with the funded debt to tangible net worth ratio at .88 to 1. With a 14% increase in cash throw, ability to service debt improved modestly and remained adequate with cash throw to funded debt due in one year at 216.3%.

Agricultural Products

These 89 carriers transport raw agricultural products including milk, livestock, grain, feed, and tobacco. Since the vast majority of agricultural products carriers are small unregulated companies, this group cannot be considered to encompass the entire agricultural motor carrier segment.

Intercity mileage increased 0.6% and tonnage increased 12.4% to produce at 24% revenue increase for this group. Total operating expenses increased by 23.4% and the operating ratio improved to 94.9%. Interest expense jumped by 49.4% and net income was thereby reduced from 2.7% of revenue in 1978 to 2.2% in 1979. Return on equity and return on transportation investment declined to 14.4% and 18.6% respectively.

Despite large revenue growth, this group's liquidity was severely reduced. Working capital in dollars was negative; the current ratio declined to .93 to 1, and days' cash operating expenses were -4.22 days.

This group continued as the most highly leveraged in Group D, with a total funded debt to tangible net worth ratio of 1.39 to 1, up from .99 to 1 in 1978. Ability to service debt declined and was the lowest of Group D carriers, with cash throw to debt due in one year at 143.6% and cash throw to total funded debt at 40.0%.

Motor Vehicles

Data is shown for 38 motor carriers which transport new or used automobiles and trucks which are fully or partially assembled. The consumer credit crunch and the beginning of the recession in the second half of 1979 caused new automobile sales to drop to 10.7 million units (annually) by year end. Consequently, intercity mileage fell 4.9% and intercity tonnage dropped 8.4% for the group. Due to rate increases, gross revenues increased by 4.4% to $1.3 billion, while operating expenses increased by 8.5% which drove the operating ratio up from 95.5% in 1978 to 99.1% in 1979. Purchased transportation expense was 11.0% of revenue, about the same as 1978; interest expense was up 51.6% and represented 1.4% of revenues. The auto haulers had a $5.57 million loss before tax and a $3.63 million loss after tax.

Liquidity deteriorated further to a negative working capital position, an inadequate working capital ratio of .77 to 1, and -13.89 days' cash operating expenses in working capital.

Leverage for the group increased considerably with total funded debt to tangible net worth at .71 to 1. Ability to service debt decreased substantially, but remained adequate with cash throw to debt due in one year at 222.2% and cash throw to total funded debt at 52.3%.

Building Materials Carriers

These 109 carriers transport materials used in building construction, including clay and stone products, lumber, shingles, cut stone, and slate usually carried on flatbed vehicles. Structural steel and products moved in dump trucks are not included.

These building materials carriers enjoyed a generally good year in spite of a downturn in residential and commercial construction in the third and fourth quarters of 1979. Intercity miles increased 8.5% and tonnage increased 14.1% producing a 20.1% increase in gross revenues to $843.76 million. Purchased transportation expenses were 37.7% of revenue, about the same as in 1978. The operating ratio increased slightly to 95.4%. Net income rose 5.4% to $22.64 million but decreased to 2.7% of revenue, down from 3.1% in 1978. Return on equity dropped modestly to 18.8% and return on transportation investment dropped to 20.6%.

While cash throw and working capital increased in dollars, this group's liquidity remained low with a current ratio of 1.02 to 1 and only 1.21 days' cash operating expenses in working capital. Leverage increased with funded debt to tangible net worth at 1.39 to 1, which is the highest among Group D carriers. Ability to service debt is relatively low with cash throw to funded debt due in one year at 145.2% and cash throw to total funded debt at 40.7%.

Other Special Commodities Carriers

These 666 carriers (50.1% in number and 39.7% in revenue of all Group D Carriers) do not fit into the preceding classifications. Included in this group are ICC commodity classifications such as Dump Trucking, Armored Truck Service, Explosives, Retail Store Delivery Service, Forest Products, and others.

For this group, intercity mileage increased 2.8% while tonnage was down by 0.4%. Revenues increased 17.0%, the operating ratio increased slightly to 95.4% which, with higher interest expense, caused a decrease in net income to 2.6% of revenue. Return on equity dropped to 16.2%. Working capital increased and liquidity remained adequate and compared favorably with the Group D overall. Leverage increased with funded debt to tangible net worth at .89 to 1. Ability to service debt remained adequate and slightly stronger than Group D as a whole.

Carrier Group E

This group of publicly held carriers of general freight numbered 23 in 1979, two less than in the prior year. Seven of these 23 companies were listed on the New York Stock Exchange, 4 on the American Stock Exchange, and 12 were traded in the over-the-counter market. Data for this group is compiled from the published annual reports to stockholders and this includes non-motor carrier activities where applicable such as Consolidated Freightways' truck manufacturing division and McLean Trucking Company's petroleum refinery.

During 1979, there were a number of mergers and acquisitions in Group E which resulted in a numerically smaller group of 23 publicly held carriers than the 25 companies in last year's analysis.

Gerber Products Company acquired CW Transport, Inc., which is being operated as a wholly-owned subsidiary of Gerber. Meridian Express Company, a private investment company, acquired Merchants, Inc.; Meridian is also negotiating to purchase Delta California Industries, which has subsidiary motor carrier operations principally in California.

Halls Motor Transit Company is also excluded from this 1980 analysis, since it did not publish a 1979 annual report due to its pending acquisition (effective January 1980) by Tiger International. Data for Smith's Transfer Corporation has been included although this company was acquired, effective January 1980, by ARA Services, Inc.

Arkansas Best Corporation's results are included in this composite. However, due to the year-end December 31, 1978 timing of its acquisition of Navajo Freight Lines, the operating results and income for Navajo are not included in the 1978 composite, but assets and liabilities are comparable for both 1978 and 1979.

Other pending transactions in 1980 among the publicly held carriers include the merger of Spector Industries into Red Ball Motor Freight, the principal operating subsidiary of Telecom Corporation, and the acquisition of Gateway Transportation Company, Inc. by Maislin Industries Ltd. of Montreal, Canada. Further, in July 1980 Wilson Freight filed for protection from creditors under Chapter 11 of the Bankruptcy Act.

To provide for meaningful comparison, the 23 carriers in this analysis are identical in 1978 and 1979 and the names of these publicly held companies appear at the end of this section.

Operating Performance

Gross revenues for these 23 carriers increased by 13.6% to $7.2 billion, with the majority of increased revenues being derived from increased freight rates. Average revenue per carrier rose to $312 million in 1979 from $275 million in 1978. While revenues increased only 13.6%, operating expenses rose 16.4% and the operating ratio jumped from 92.7% in 1978 to 95.0% in 1979. While Group E's operating ratio of 95% in 1979 was significantly above the 5 year average operating ratio of 93.0% for Group E, it was better than the industry composite and reflects a satisfactory operating condition.

With debt up 26%, interest expense rose 49% in dollars for this group in 1979 as interest rate levels reached record heights in the fourth quarter of the year. Both increased operating expenses and interest costs drove pre-tax income down by 27%. However, due to a substantial reduction in current income taxes, net income after taxes fell 20.5%. As a percent of revenue, net after tax income fell from $244 million (3.9% of revenue) in 1978 to $194 million (2.7%) in 1979. By comparison, in the 1975 recession year, Group E earned $126 million (2.9% of revenue).

For Group E 1979 was a poor year in terms of profitability: the return on transportation investment was 16.2%, and return on equity was 12.4%; again by comparison, carrier Group E posted a 17.7% return on transportation investment and a 11% return on equity in the 1975 recession year. However, both ratios for Group E in 1979 were superior to the industry composite ratios of 15.4% and 12.0%, respectively.

Liquidity

In spite of substantially reduced earnings, liquidity for Group E decreased only slightly and remained satisfactory. Cash throw and working capital each declined 3%, and the current ratio dropped slightly to 1.23 to 1. More importantly, days' cash operating expenses in working capital declined 2.65 days to 12.93 days. On the positive side, average days' collection period improved slightly to 27.11 days. By all liquidity measures, however, Group E outperformed the industry composite and maintained a satisfactory degree of liquidity.

Leverage and Debt Service

Historically, Group E carriers have maintained newer fleets of revenue equipment with more rapid replacement programs. Given the economic downturn which began in the second half of 1979, the Group E carriers did not add significant new equipment to their fleets, with the reserve for depreciation of carrier operating property at 38.7% (of cost) in 1978 and 38.2% in 1979. In comparison with the industry composite of 46% of cost for depreciation reserve, Group E continued to maintain a considerably newer fleet. Group E's net carrier operating property increased 15% to just under $2.0 billion.

With regard to capitalization, Group E's funded debt to equity increased from .42 in 1978 to .50 in 1979, total funded debt increased $157 million (25% over

1978) while stockholder's equity rose only 7% over 1978. Equity as a percent of total footings declined to 43.6% in 1979 from 45.4% in 1978, reflecting only a slightly increased use of borrowed capital which is admirable given the substantial earnings decline Group E experienced in 1979.

Although cash throw coverage of current debt service requirements dropped sharply from 981% in 1978 to 641% in 1979, it remained more than adequate and well above the industry composite of 481%. Group E's depreciation of $286 million was more than enough to cover funded debt due within one year and total cash throw was sufficient to amortize total funded debt within about one and one half years.

In conclusion, the publicly held carriers in Group E suffered lower earnings and reduced cash flow in 1979—due to the weakening economy during the second half of the year. Nevertheless, this carrier group continued to be better capitalized and outperformed the industry composite.

Carrier Group E
Publicly Held
General Freight Carriers

1. **Arkansas Best Corporation**
2. **Branch Industries, Inc.**
3. **Briggs Transportation Company**
4. **Carolina Freight Carriers Corporation**
5. **Consolidated Freightways, Inc.**
6. **Cooper-Jarrett, Inc.**
7. **Eazor Express, Inc.**
8. **Gateway Transportation Co., Inc.**
9. **McLean Trucking Company**
10. **Mid-American Lines, Inc.**
11. **Murphy Motor Freight Lines, Inc.**
12. **New Penn Motor Express, Inc.**
13. **Overnite Transportation Company**
14. **Penn Yan Express, Inc.**
15. **Preston Trucking Co., Inc.**
16. **Roadway Express, Inc.**
17. **Smith's Transfer Corporation**
18. **Spector Industries, Inc.**
19. **T.I.M.E.-DC, Inc.**
20. **Transcon Lines**
21. **U.S. Truck Lines, Inc. of Delaware**
22. **Wilson Freight Company**
23. **Yellow Freight System, Inc.**

Carrier Group E

Dollar Amount in Millions Year Number of Carriers	1979 23			1978 23			1977 25			1976 30			1975 34		
Income Statement	Total $	%	Avg. $	Total $	%	Avg. $	Total $	%	Avg. $	Total $	%	Avg. $	Total $	%	Avg. $
Income & Expense Data															
Gross Revenues	7182.8	100.0	312.3	6324.3	100.0	275.0	5408.2	100.0	216.3	4901.8	100.0	163.4	4306.9	100.0	126.7
Depreciation	285.8	4.0	12.4	243.8	3.9	10.6	206.9	3.8	8.3	195.4	4.0	6.5	203.3	4.7	6.0
Purchased Transportation	250.2	3.5	10.9	204.1	3.2	8.9	168.3	3.1	6.7	180.7	3.7	6.0	124.7	2.9	3.7
Total Operating Expenses	6824.5	95.0	296.7	5860.6	92.7	254.8	4985.2	92.2	199.4	4503.4	91.9	150.1	4025.1	93.5	118.4
Net Carrier Operating Income	358.3	5.0	15.6	463.7	7.3	20.2	423.0	7.8	16.9	398.0	8.1	13.3	281.8	6.5	8.3
Interest Expense	72.7	1.0	3.2	48.8	0.8	2.1	35.5	0.7	1.4	39.2	0.8	1.3	56.9	1.3	1.7
Net Income Before Taxes	320.9	4.5	14.0	439.0	6.9	19.1	409.1	7.6	16.4	376.7	7.7	12.6	224.9	5.2	6.6
Incimes Taxes—Current	84.4	1.2	3.7	145.1	2.3	6.3	144.8	2.7	5.8	157.0	3.2	5.2	NA	NA	NA
Deferred Income Taxes	42.5	0.6	1.8	49.7	0.8	2.2	41.2	0.8	1.6	19.6	0.4	.7	NA	NA	NA
Equity in Earning of Affil										.2	0.0	0.0	NA	NA	NA
Net Income After Taxes	194.1	2.7	8.4	244.2	3.9	10.6	223.5	4.1	8.9	200.6	4.1	6.7	126.3	2.9	3.7
Balance Sheet															
Assets															
Cash	296.1	8.2	12.9	358.7	11.1	15.6	308.5	11.4	12.3	382.5	15.0	12.7	278.0	11.5	8.2
Receivables from Affiliates															
Notes & Accounts Receivable	533.4	14.8	23.2	480.0	14.9	20.9	404.8	15.0	16.2	343.3	13.4	11.4	307.3	12.7	9.0
Prepaid Expenses	142.4	4.0	6.2	128.	4.0	5.6	104.5	3.9	4.2	95.4	3.7	3.2	100.8	4.2	3.0
Materials & Supplies	238.4	6.6	10.4	179.	5.6	7.8	137.5	5.1	5.5	119.4	4.7	4.0	99.3	4.1	2.9
Other Current Assets	51.0	1.4	2.2	32.0	1.0	1.4	18.3	0.7	0.7	12.9	0.5	0.4	NA	NA	NA
Total Current Assets	1261.3	35.1	54.9	1177.6	36.6	51.2	973.6	36.1	38.9	953.5	37.3	31.7	785.4	32.5	23.1
Carrier Operating Property	3208.2	89.3	139.5	2820.3	87.6	122.6	2442.3	90.5	97.7	2299.5	89.9	76.6	2286.4	94.6	67.9
Reserve for Depreciation	1224.0	34.1	53.2	1092.3	33.9	47.5	1000.2	37.1	40.0	961.2	37.6	32.0	917.3	38.0	27.0
Carrier Operating Property Net	1984.0	55.2	86.3	1728.0	53.7	75.1	1442.1	53.4	57.7	1338.3	52.3	44.6	1369.1	56.7	40.3
Total Tangible Property	1984.0	55.2	86.3	1731.8	53.8	75.3	1455.2	53.9	58.2	1347.0	52.7	44.9	NA	NA	NA
Intangibles	235.1	6.5	10.2	217.	6.7	9.5	188.7	7.0	7.5	167.4	6.5	5.6	178.7	7.4	5.3
Other Assets	113.6	3.2	4.9	93.1	2.9	4.0	80.4	3.0	3.2	88.7	3.5	3.0	82.8	3.4	2.4
Total Assets	3594.0	100.0	156.3	3219.8	100.0	140.0	2697.9	100.0	107.9	2556.6	100.0	85.2	2416.0	100.0	71.1
Liabilities & Equity															
Payable to Affiliates															
Notes Payable	5.5	0.1	0.2	6.0	0.2	0.3	3.3	0.1	0.1	22.4	0.9	0.7	20.9	1.0	0.6
Accounts Payable	455.8	12.7	19.8	423.0	13.1	18.4	351.2	13.0	14.0	264.1	10.3	8.8	219.1	9.0	6.4
Misc Payables & Accruals	265.8	7.4	11.6	261.3	8.1	11.4	191.1	7.1	7.6	172.9	6.8	5.8	230.8	9.5	6.8
Taxes Payable	51.0	1.4	2.2	72.5	2.3	3.1	39.3	1.5	1.6	80.0	3.1	2.7	38.5	1.6	1.5
Funded Debt Due In One Year	81.5	2.3	3.5	54.8	1.7	2.4	40.9	1.5	1.6	53.1	2.1	1.8	54.8	2.3	1.6
Other Current Liabilities	170.0	4.7	7.5	120.1	3.7	5.2	119.1	4.4	4.8	87.4	3.4	2.9	NA	NA	NA
Total Current Liabilities	1029 6	28.6	44.7	937.8	29.1	40.8	744.9	27.6	29.8	679.9	26.6	22.7	564.1	23.3	16.9
Advances Payable															
Funded Debt Due After One Year	694.1	19.3	30.2	563.2	17.5	24.5	414.5	15.4	16.6	439.5	17.2	14.6	507.5	21.0	14.9
Total Long Term Debt	694.1	19.3	30.2	563.2	17.5	24.5	414.5	15.4	16.6	439.5	17.2	14.6	507.5	21.0	14.9
Total Funded Debt	775.6	21.6	33.7	618.0	19.2	26.9	455.5	16.9	18.2	492.6	19.3	16.4	562.3	23.3	16.5
Reserve & Est. Liabilities	75.7	2.1	3.3	55.8	1.7	2.4	39.3	1.5	1.6	32.3	1.3	1.1	42.4	1.7	1.2
Accum Deferred Tax Credits	226.6	6.3	9.9	200.2	6.2	8.7	170.6	6.3	6.8	169.6	6.6	5.6	149.3	6.2	4.4
Total Liabilities	2026.0	56.4	88.1	1757.0	54.6	76.4	1369.3	50.8	54.8	1321.3	51.7	44.0	1263.3	52.3	37.2
Stockholders Equity	1568.0	53.6	68.2	1462.8	45.4	63.6	1328.7	49.2	53.1	1235.3	48.3	41.2	1152.7	47.7	33.9
Total Capital	2262.1	62 9	98.4	2026.0	64.7	88.1	1743.2	64.6	69.7	1674.7	65.5	55.8	1660.2	68.7	48.8
Total Liabilities & Equity	3594.0	100.0	156.3	3219.8	100.0	140.0	2697.9	100.0	107.9	2556.6	100.0	85.2	2416.0	100.0	71.1

Analytical Data	1979	1978	1977	1976	1975
Operating Performance					
Gross Revenues to Equity	4.58	4.32	4.07	3.97	3.74
Gross Revenues to Total Capital	3.18	3.12	3.10	2.93	2.59
Gross Revenues to Net Carr Op Prop	3.62	3.66	3.75	3.66	3.15
Gross Revenues to Carr Op Prop (Cost)	2.24	2.24	2.21	2.13	1.88
Pre-Tax Income to Gross Revenues, %	4.47	6.94	7.56	7.68	5.22
Pre-Tax Income to Total Capital, %	14.19	21.67	23.47	22.49	13.55
After Tax Income to Gross Revenues, %	2.70	3.86	4.13	4.09	2.93
After Tax Income to Equity, %	12.38	16.69	16.82	16.24	10.96
Return on Transportation Investment, %	16.17	23.56	25.32	24.69	17.72
Expense Ratio, %	96.02	93.44	92.84	92.68	94.78
Operating Ratio, %	95.01	92.67	92.18	91.88	93.46
Liquidity					
Cash Throw, Dollars	522.4	537.7	471.6	415.3	329.6*
Working Capital, Dollars	231.7	239.8	228.7	273.6	221.3
Current Ratio	1.23	1.26	1.31	1.40	1.39
Days Cash Oper Exp in Work Cap	12.93	15.58	17.47	23.18	21.14
Average Days Collection Period	27.11	27.70	27.32	25.57	26.04
Leverage & Debt Service					
Funded Debt to Equity	0.50	0.42	0.34	0.40	.49
Net Debt to Equity	0.30	0.22	0.14	0.13	.25
Funded Debt to Tang Net Worth	0.58	0.50	0.40	0.46	.58
Cash Throw to Fund Debt Due 1 Yr, %	640.98	981.20	1153.06	782.95	601.5
Cash Throw to Total Funded Debt, %	67.35	87.01	103.56	84.32	58.6
Interest to Total Funded Debt, %	9.37	7.90	7.80	7.96	10.1
Carrier Property (Net) to Equity	1.27	1.18	1.09	1.08	1.19
Additional Ratios					
Receivables to Payables	1.16	1.12	1.14	1.20	1.28
Depreciation to Debt Due in One Yr	3.51	4.45	5.06	3.68	3.71
Total Tangible Prop to Equity	1.27	1.18	1.10	1.09	NA
Pre-Tax Income to Equity, %	20.47	30.01	30.79	30.50	19.51
Gross Revenues to Total Tang Prop	3.62	3.65	3.72	3.64	NA

Note: Numbers may not add due to rounding. *Cash Throw = Net Income after Taxes plus depreciation

BEST AVAILABLE COPY

Security Analyst Appraisal for the 1980 Financial Analysis of the Motor Carrier Industry

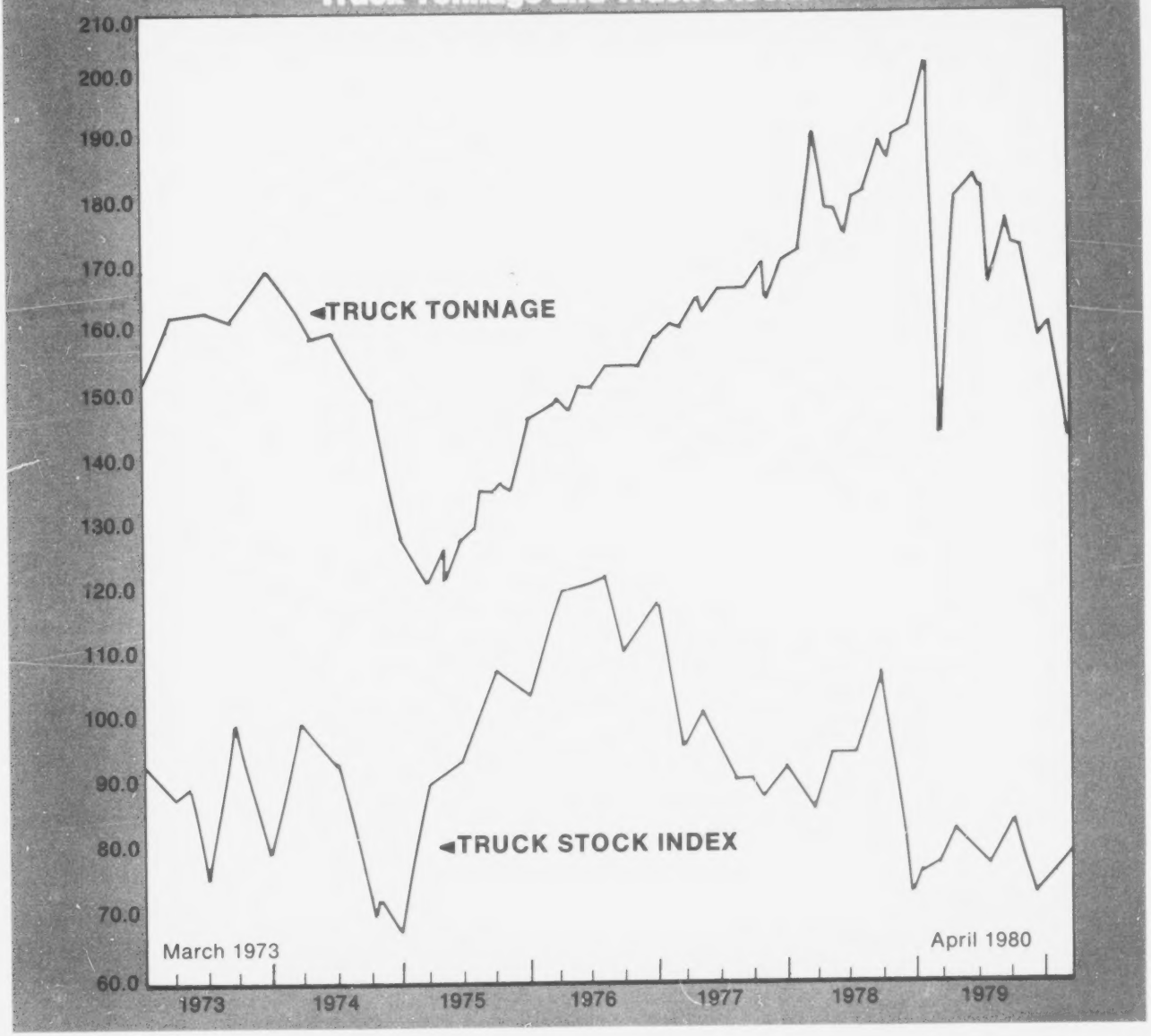
The subheading of the 1977 Security Analyst Appraisal was, ". . . a year of good fundamentals, disappointing stock price performance". Sitting here in the summer of 1980 a reasonable caption would reverse that order, noting that the stock price performance of late has been quite good in the face of one of the worse fundamental environments in which the motor carriers have ever had to function. Divining the actions of the stock market has absorbed more time and energy than any other single endeavor, other than the equally elusive feat of turning base metals into gold.

The one observation that does seem to stand the test of time, however, is that stock price performance is based more on the *anticipated* changes in a company's (and industry's) fortunes rather than on what is already history. Consequently, the stock market is one of the most reliable of the leading indicators of the economy. In the same vein, but on a somewhat more limited plane, the relative performance of trucking stocks has also been a good prognosticator of the Trucking Industry's changing fortunes.

A look at Chart 1 shows that truck stocks (Standard & Poor's Truck Stock Index—Roadway, Yellow, McLean and Consolidated) moved, with varying lead times, ahead of changes in traffic.

CHART 1

Truck Tonnage and Truck Stocks



BEST AVAILABLE COPY

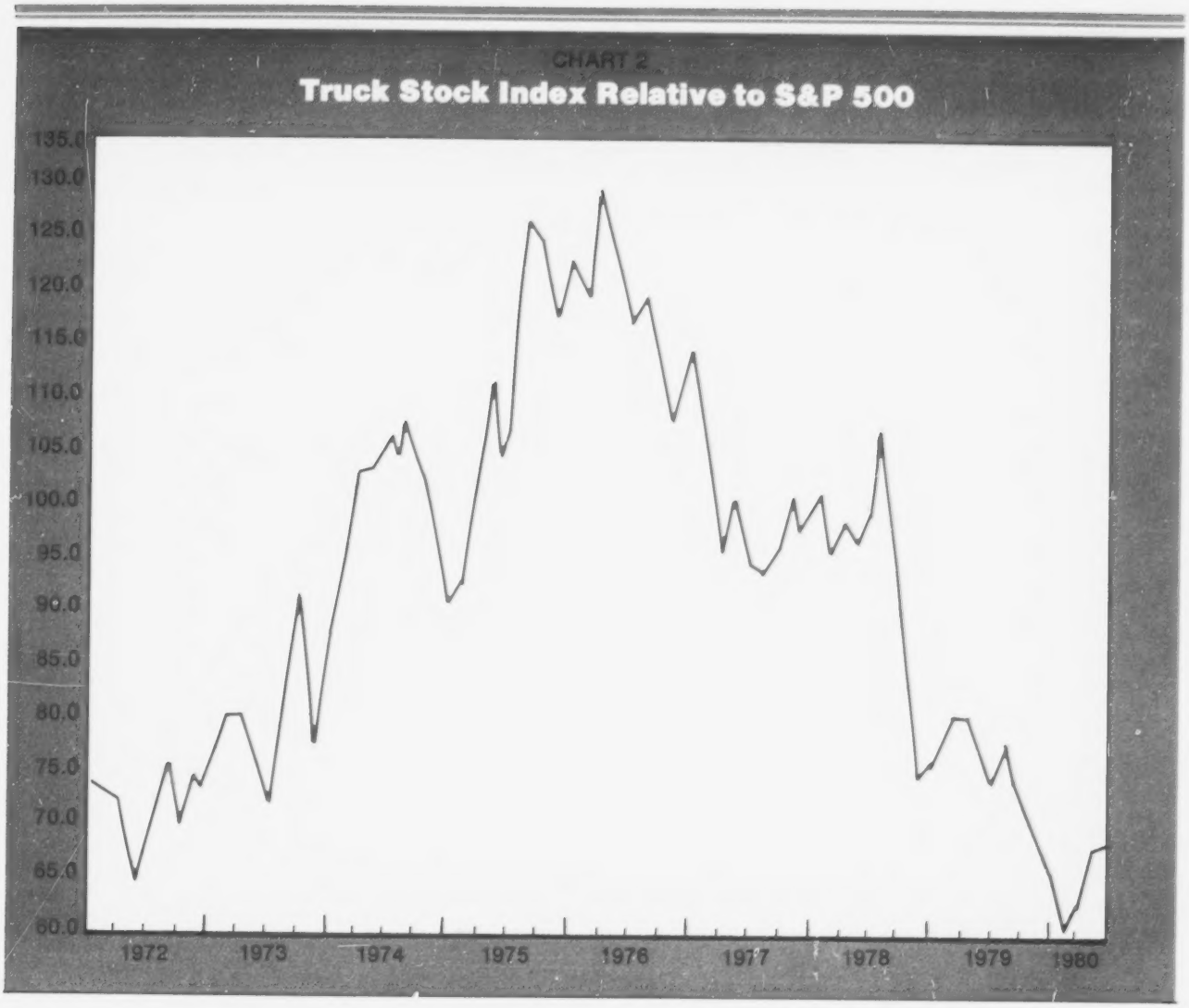


Chart 2 shows a different pattern which reflects investors' preference for truck stocks relative to the market as a whole. The first half of the 1970's reflected the perception that a strong secular growth in the economy, cheap fuel and a favorable regulatory environment meant a good future for the industry.

The past half decade has been characterized by problems with fuel availability and its price, a long anticipated recession and an increasingly questionable quality of regulation. These disturbing problems manifested themselves in a declining relative performance as the investing public bid down the prices of motor carrier equities in order to raise the expected return needed to offset the greater risk.

This brings us to the present. The renewed interest in trucking stocks that I noted earlier reflects the consensus view that the fortunes of the trucking industry are on the rise and that those carriers with the proper combination of financial and managerial capacity will prosper accordingly.

In this article I would like to touch on a number of items in addition to recounting the recent economic fortunes of the publicly held motor carriers. Among these are: trucking and the economy, the Motor Carrier Act of 1980 and the ICC's interpretation of that act, disinvestment and mergers and acquisitions.

Trucking and the Economy

Continuing on with our equation of stocks and fundamentals, the poor relative performance of trucking stocks over the past four years accurately presaged an increasingly hostile relationship between the industry and the Interstate Commerce Commission, its regulatory mentor. It also reflected a known economic fact of life, that recessions invariably follow economic expansions.

BEST AVAILABLE COPY

A less well articulated corollary is that a significant change in truck tonnage will normally foreshadow a change in the economy. This makes sense conceptually given that trucks are the prime means of conveying inventories between the producer and the retailer. A decline in final demand is quickly translated by the retailer into a cancellation of existing orders and, consequently, into a reduction in the amount of goods that move by truck. Manufacturers do not have the same flexibility owing to the longer lead times required to alter the flow of raw materials and their own production schedules. The result is a transferral of the burden of carrying unwanted inventories from the retailer to the manufacturer. When that burden becomes too great, production is cut and the recession becomes an historic fact. Empirical observation suggests that truckers feel the onset of a recession 6-9 months before it is reflected in an actual reduction in industrial production.

To a lesser extent the reverse is true. That is, truck traffic will turn up, along with consumer demand, before industrial production is increased. Again, this equates to the movement of inventories, this time from the manufacturer back to the retailer. Unfortunately, the lead time on the way back is shorter than on the way down, more on the order of three months.

Nineteen seventy-nine began on a strong note with tonnage rising 16%[1] over the first quarter of 1978. After rising steadily for almost four years, traffic turned down in April as a result of the Teamsters' strike and never recovered. With the exception of an occasional seasonal uptick, the ATA's tonnage index has fallen steadily through the first half of 1980. The severity of the decline has paralleled that of the '73-'75 recession when traffic fell 29%[1] in an 18-month period.

As of this writing (August 1980) there has been no indication that traffic has turned back up, but economic history observes, once again, that recoveries always follow recessions and there is no reason that this one should be any different. If the leading nature of truck tonnage holds true to course, the industry could see some cyclical recovery in traffic this fall on top of the normal seasonal upturn that comes in August.

[1]SOURCE: ATA Monthly Truck Tonnage Index

The Regulatory Environment

The economy and its relationship to the amount of tonnage available to the Trucking Industry is vitally important to both profits and stock price performance. Equally important is regulation and its impact on profit margins, return on investment and the competitive climate.

From the standpoint of a changing regulatory environment, the past 18 months have been the most volatile since regulation was introduced in 1935. Much of the loss of investor confidence over the past five years can be directly attributed to the attack, first by the Administration and then by the ICC itself, on the regulatory structure. The opening up of entry has meant a *de facto* loss of value to the holders of existing franchises and the games that the Commission began playing with rates has lessened the predictability of profits. Both factors were quickly reflected in the loss of close to a billion dollars in the market value of trucking equities.

Although it is still too early to fully assess the impact of the Motor Carrier Act of 1980, on first reading it appears to be a reasonable compromise between the hard-line deregulators and a somewhat more reactionary industry. The Bill itself and its lengthy journey through Congress are well enough chronicled so as not to require additional comment here.

Much of the renewed investor interest stems from a belief that regulation has found its own natural level and that the industry can return its attention to operating matters. The single most important question that remains is how the ICC will interpret the Act. Initial rumblings from the Commission suggest that it will attempt as liberal an interpretation as possible. The question then becomes one of what success the Industry will have in limiting the ICC's options, either through court action or Congressional oversight.

The most important of the upcoming rulemakings will come out of the MC-128 hearings on an adequate rate of return for the industry. Using the stock market once again as a barometer, a ruling as ill conceived as the initial decision in the Southern Motor Carrier Rate case would, in all probability, send motor carrier stocks plummeting as the initial decision did. If, on the other hand, the ICC complied with the spirit of the Motor Carrier Act and set a rate of return that would ensure an adequate level of profitability, there is every reason to believe that the stock market would continue its current interest in trucking stocks.

Rate Discounting

The one imponderable at this juncture is the degree to which rate discounting will spread and what impact it will have on profits. A number of smaller carriers experimented with rate reductions for certain types of traffic—for aggregates and specific industries. This experimenting was followed by Overnite's 10% across the board reduction in class rates (to take effect on October 1). Thus far there hasn't been a ground swell of enthusiasm on the part of the other carriers to either emulate Overnite in its own territory or to reduce rates in other areas.

Disinvestment

I thought that it would be useful to touch on the concept of disinvestment and how it relates to the Trucking Industry. It also serves as a good lead into inflation, economies of scale in trucking and finally into the subject of mergers and acquisitions.

Disinvestment as it relates to the Trucking Industry simply states that retained cash flow (principally net income plus depreciation less dividends) is insufficient to finance the replacement of terminals and revenue equipment, not to mention the capital needed for growth. The extent to which disinvestment exists depends on

the return that a carrier can obtain on its investment and on inflation. Depreciation provides a cash flow that is adequate to finance roughly 40% of the *historical* value of a unit. Net income, therefore, must finance the remaining 60%, plus the inflation in the cost of the replacement units, any increases in capacity and whatever dividends investors require to keep their capital in the business.

When disinvestment occurs, the carrier must either reduce his capacity or borrow the money needed to finance the shortfall. I have seen several studies that attempt to quantify the degree to which disinvestment is occurring, but they all differ because they depend on an assumed inflation rate and what is an adequate dividend to the equity investor. Suffice it to say, a return on equity similar to 1979's 12% is not adequate to provide even a minimal dividend of 5% to the equity investor and still cover these 9-10% increases in the cost of new equipment.

With most carriers today sitting with 20-30% of their equipment idle, growth in capacity is not a pressing problem. But, truck tonnage is volatile and can bounce back as quickly as it has fallen, in which case capacity could become a valid concern in a fairly short time span.

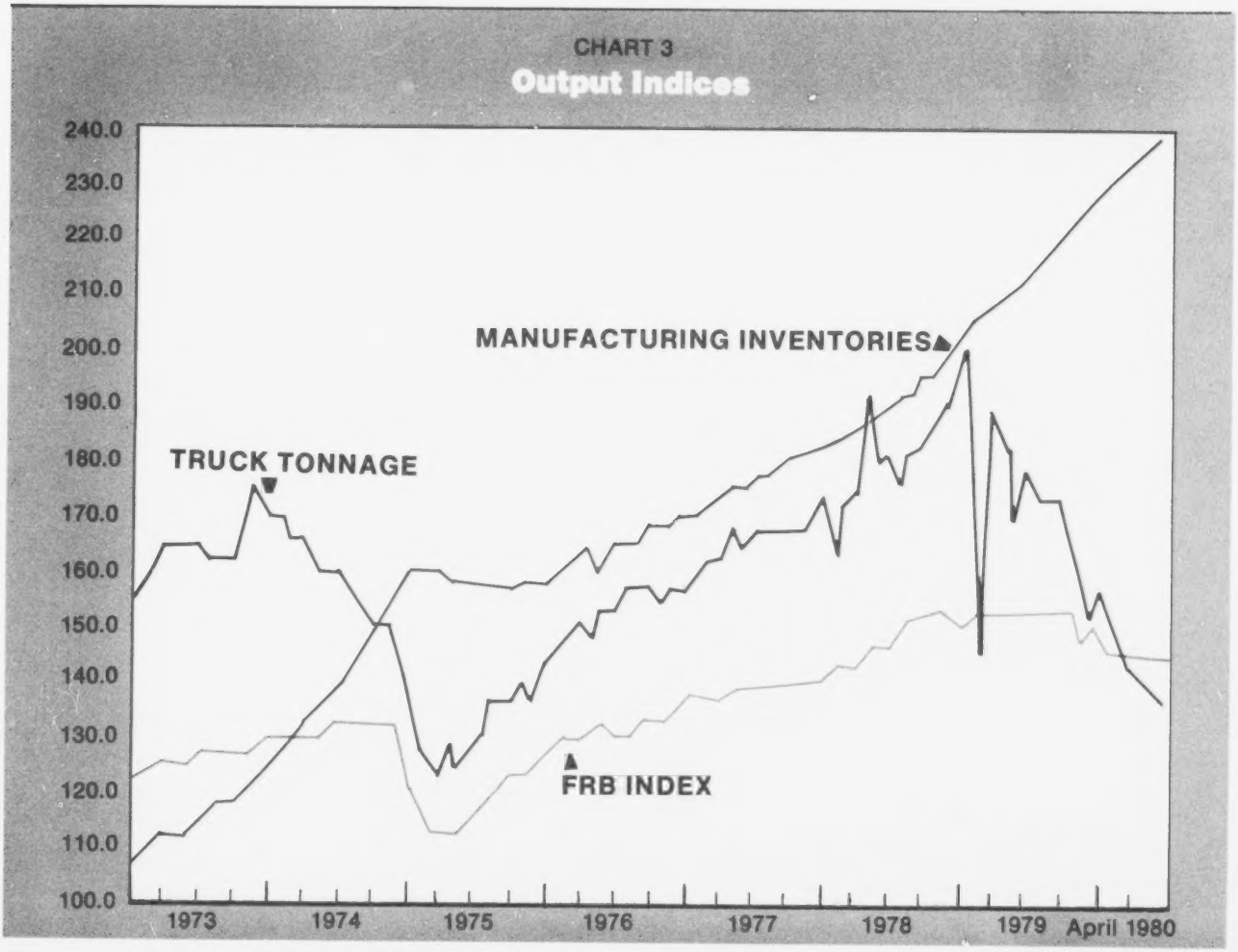
Mergers and Acquisitions

This brings me to my final topic—the increase in the number of mergers and acquisitions that has taken place in the past two years.

There appear to be two distinct trends. First, non-carriers have been acquiring well-run, profitable trucking companies. Second, carriers have been merging with other carriers to take advantage of the economies of scale that exist in the so-called LTL end of general commodities trucking.

The acquisition of trucking companies by non-trucking companies reflects a belief by the acquiror that the business is inherently attractive and that a well-run, well-financed carrier can generate an attractive return for its owner. The dismal performance of trucking stocks provided the opportunity to make acquisitions at prices that were probably below the fair market value of the assets, yet at a price that was well in excess of that for which the shares were trading in the stock market.

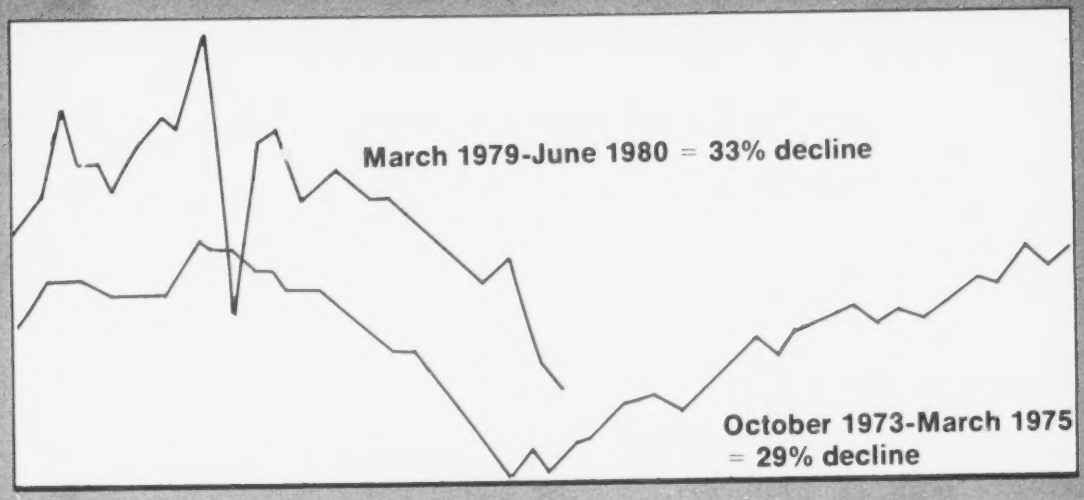
CHART 3



BEST AVAILA

CHART 4

Truck Tonnage



As an analyst, it is always sad to lose a good company, but the acquisitions do serve to confirm my feeling that the stock market has been underrating trucking stocks.

The recent series of mergers has been sparked by a completely different consideration. Namely, that there are both marketing and operating economies of scale in LTL general commodities trucking.

Marketing economies of scale stem from the number of markets that can be served directly. A shipper would prefer to use fewer rather than more trucking companies to handle a given number of shipments. Consequently, carriers with a greater coverage of a given market will have an advantage.

Operating economies of scale stem from the ability to raise both equipment and labor productivity by channeling more freight through a given point. For example, adding additional terminals to major markets reduces the amount of driver and equipment time per pick-up or delivery. Greater volumes of traffic allow for more direct loading which reduces handling costs. Also, depending on the configuration of the systems being merged, greater coverage can help balance and load averages.

It is my observation that trucking is

Recent Acquisitions and Mergers

BY NON-TRUCKERS

Associated Truck Lines/American Natural Resources
CW Transport/Gerber Products
Garrett Freightlines/American Natural Resources
Graves Truck Line/American Natural Resources
Hall's Motor Transit/Tiger International
Merchants, Inc./Wedge International
Smith's Transfer/ARA Services

BY TRUCKERS

Delta California/Meridian Express*
Gateway Transportation/Maislin Industries
Navajo Freight/Arkansas Best Corporation
ONC Freight Systems/McLean Trucking Company
Quinn Freight Lines/Maislin Industries
Spector Freight/Red Ball Motor Freight
Strickland Transportation/Wilson Freight

*Meridian, an affiliate of Wedge International, also owns Merchants, Inc.

BLE COPY

becoming increasingly complex and will require more management sophistication to run successful companies. For the companies that do not have the requisite management and financial capacity, either sale or merger becomes their only solution. Consequently, I would expect to see an increase in the number of mergers taking place in the next five years. The only other option is bankruptcy and/or liquidation, paths taken by Transport Motor Express, Wilson Freight Lines and Johnson Motor Lines. In the case of Wilson, the merger "solution" proved to be only a temporary one.

In conclusion, 1979 and the first half of 1980 will go down as a relatively poor eighteen month period for the Trucking Industry. Much, however, has been accomplished during this period in establishing a new regulatory and structural base on which to build a profitable industry in the nineteen eighties.

William Legg

Bill Legg is a Vice President and the Senior Transportation Analyst—Alex. Brown & Sons, Baltimore, Maryland. As head of Alex. Brown's Transportation Group, Mr. Legg is responsible for both research and corporate finance projects relating to the trucking industry. Prior to joining Brown, Mr. Legg served as an officer in the Navy. He is a graduate of Trinity College and holds an MBA from Loyola College.

Mr. Legg is currently President of the Motor Carriers Analyst Group, and a member of the Financial Analysts Society, Baltimore Society of Security Analysts, and the National Accounting and Finance Council of the ATA. He is a Chartered Financial Analyst.

Alex. Brown & Sons is the country's oldest investment banking firm, founded in 1800, and is one of the largest headquartered outside of New York City. The firm has been associated with the transportation industry ever since 1827 when it was involved in raising the capital to start the country's first railroad, the Baltimore and Ohio.

Past Authors
Security Analyst Appraisal

1979 Andras R. Petery
Morgan Stanley & Company

1978 John V. Pincavage, Jr.
Paine Webber Mitchell Hutchins, Inc.

1977 Henry A. Schmitt
Donaldson, Lufkin & Jenrette, Inc.